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Audit & Governance Committee

Monday, 18th March, 2024
Meeting Room A
Blackburn Town Hall
6.30 pm

AGENDA

	Audit Findings Report LG 2021-22 Final2 (003)updated	**62 - 106**

6. **Statement of Accounts 2021/22**

The Strategic Director, Finance & Resources will submit the 2021/22 Statement of Accounts for approval.

6 Approval of Accounts 2021-22 **6 Statement of Accounts 2021-22 -**	**107 - 229**

7.1 **Annual Governance Statement for 2021/22**

The Strategic Director, Finance & Resources will provide the Committee with updated Annual Governance Statement for 2021/22 for approval.

AG Cttee Agenda Item 7.1 BwD Revised Draft Annual Governance Statement 2021-2022	**230 - 261**

7.2 **Annual Governance Statement for 2022/23**

The Strategic Director, Finance & Resources will provide the Committee with updated Annual Governance Statements for 2022/23 for approval.

AG Cttee Agenda Item 7.2 BwD Revised Draft Annual Governance Statement 2022 2023	**262 - 296**

8. **Response to the External Auditors Request for Information**

The Strategic Director, Finance & Resources will provide the Committee with a report on how the Audit & Governance Committee gains assurance from management to inform the External Audit risk assessment for the Council for 2021/22.

8. Response to the external auditors - Audit and Governance Cttee Mar 24 **8. App BwD BC - PSA - Informing the audit risk assessment - 21-22**	**297 - 330**

9. **Application of Accounting Policies**

The Strategic Director, Finance & Resources will provide the Committee with a report on the accounting policies that will be used in the preparation of the Council's Statement of Accounts for the financial year ending 31 March 2024.

10. Treasury Management Report - October 2023 to December 2023

The Strategic Director, Finance & Resources will provide the Committee with a report on Treasury Management activity.

11. Audit & Assurance - Progress & Outcomes to January 2024

The Head of Audit & Assurance will report on progress and outcomes achieved within Audit & Assurance.

12. Audit & Assurance Plan 2024/25, Three Year Strategic Plan and Internal Audit Charter

The Head of Audit & Assurance will present the 2024/25 Audit & Assurance Plan, Three Year Strategic Plan and Internal Audit Charter for approval.

13. **Use of Waivers**

The Head of Legal & Procurement will provide the Committee with a report on the use of Waivers.

14. **Risk Management - 2023/24 Quarter 3 Review**

The Head of Audit & Assurance will provide the Committee with a report on Risk Management.

15. **Audit & Governance Committee - Effectiveness Assessment 2023/24**

The Head of Audit & Assurance will report upon the result of the 2023/24 Audit & Governance Committee effectiveness assessment.

Part 2: The Press and Public may be excluded during consideration of the following items

Date Published: Friday, 08 March 2024
Denise Park, Chief Executive

AUDIT & GOVERNANCE COMMITTEE
Tuesday 28th November 2023

PRESENT – *Councillors Harling (in the Chair), Whittingham, Slater N, and Jon Baldwin and Jennifer Eastham (Independent Member)*

OFFICERS – *Dean Langton, Colin Ferguson, and Syeda Azmat.*

The Councils External Auditors *– Gareth Winstanley*

RESOLUTIONS

58. Welcome and Apologies

The Chair welcomed everyone to the meeting.

59. Minutes of the meeting held on Tuesday 19th September

The Minutes of the meeting held on Tuesday 19th September 2023 were submitted for approval.

RESOLVED – That the Minutes of the meeting held on Tuesday 19th September 2023 be approved as a correct record and signed by the Chair.

60. Declarations of interest

No Declarations of interest were made by Members of the Committee.

61. External Audit - Progress Update

Gareth Winstanley provided the Committee with a verbal update on the progress of the statutory audit work. Neil Slater requested the value amount in relation to the gap relating to property valuations. It was clarified the work is in relation fundamental. The consultant is looking at the methodology and approach used by the Council regarding the basis of the valuations. Any differences in values has not been quantified at this stage. May affect book value not market values and is not effecting the budgets. Any adjustments required would be noted in the Audit Findings Report if necessary

Jennifer Eastham requested clarification on the management of possible risks in relation to the value decreasing. It was clarified the concerns are only in relation to methodologies not value.

RESOLVED –

The Chair requested the next update be provided in the format of a written report than verbal as it's easier to scrutinise.

62. Update on the Statement of Accounts 2021/22 and 2022/23

Dean Langton provided the Committee with an update on the progress regarding completion of the 2021/22 and 2022/23 Financial Statements.

Jennifer Eastham requested clarification in relation to the upcoming change of auditors and the effect this will have on the work due to the application of various methodologies. Gareth Winstanley advised discussion will take place with the new external auditors prior to the handover and guidance provided to them.

RESOLVED –

That the report be noted.

63. **Treasury Management Report - July to September 2023**

Dean Langton provided the Committee with a report on Treasury Management activity, including a Mid-Year Strategy Review.

Jennifer Eastham requested clarification on if the early council tax collection provided interest. Dean Langton noted that collection rates are as expected and clarified it is the grants received that provide additional money to invest not the council tax collection.

The Chair requested clarification in relation to the loan provided to Birmingham Council has been returned.

RESOLVED –

That the report be noted.

64. **Audit & Assurance - Progress & Outcomes to October 2023**

Colin Ferguson reported on the progress and outcomes achieved within Audit & Assurance.

Neil Slater requested clarification in regard to the Children’s & Adults Social Care Budget performance. Colin Ferguson advised that the issue noted in the report related to social care demand management and that the overall Council budget position had recently been reported to Executive Board.

The Chair noted the amount of matches being picked up by the NFI exercise. It was clarified the data sets submitted to the Cabinet Office are at a point in time and some matches would be resolved subsequently as changes in details were processed by relevant departments. Further updates in relation to the progress to follow up data matches will be provided in due course.

RESOLVED –

That the report be noted.

65. **Risk Management - 2023/24 Quarter 2 Review**

Colin Ferguson provided the Committee with a report on Risk Management activity in the period.

All committee members agreed to scrutinise Strategic Risk 7B – Business Continuity prior to the next meeting.

RESOLVED –

That the report be noted.

66. **Annual Governance Statement - Progress on 2022/23 Actions and Plan for 2023/24**

Colin Ferguson provided the Committee with a report on the progress of actions relating to the significant issues identified in the 2022/23 Annual Governance Statement and the process for producing the 2023/24 Statement.

Neil Slater questioned if the Council has identified the cuts that needs to be made. It was clarified that various proposals have been made for Directors and Member consideration.

RESOLVED –

That the report be noted.

Signed: ………………………………………………………………

Date: …………………………………………………………………
Chair of the meeting
at which the minutes were confirmed

DECLARATIONS OF INTEREST IN

ITEMS ON THIS AGENDA

Members attending a Council, Committee, Board or other meeting with a personal interest in a matter on the Agenda must disclose the existence and nature of the interest and, if it is a Disclosable Pecuniary Interest or an Other Interest under paragraph 16.1 of the Code of Conduct, should leave the meeting during discussion and voting on the item.

Members declaring an interest(s) should complete this form and hand it to the Democratic Services Officer at the commencement of the meeting and declare such an interest at the appropriate point on the agenda.

MEETING: **Audit and Governance**

DATE: **18th March 2023**

AGENDA ITEM NO.**:**

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

(Paragraphs 8 to 17 of the Code of Conduct for Members of the Council refer)

TO:	**Audit & Governance Committee**
FROM:	**Director, Chief Executive's Department**
DATE:	**18th March 2024**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Significant Partnerships Register 2023/24

1. PURPOSE

To provide Elected Members with an update about the Significant Partnerships Register for 2023/24. The Register identifies all the significant partnerships the local authority is involved in as per the Audit & Governance Committee's Terms of Reference.

2. RECOMMENDATIONS

The Audit & Governance Committee is asked to:

A) Note the contents of this report
B) Review the Significant Partnerships Register (appendix 1).

3. BACKGROUND

The Significant Partnership Register is part of the Council's Annual Governance Statement, and the annual and mid-year review ensures that the Council's representation is appropriate and the governance arrangements that are in place are adequate. This ensures we fulfil our responsibilities under the Council's Constitution and Code of Corporate Governance.

The Council's Constitution requires the Chief Executive to maintain and annually review a register of the Council's significant partnerships. The review and administration of the process is undertaken by the Chief Executive's Support team. Upon review it is then the responsibility of the Director to identify the significant partnerships in which they or their staff are involved. This is undertaken using the Guidance which is circulated with each review. With the Director's approval, partnerships can be added or removed from the register subject to any changes within the governance arrangements. An annual update is then presented at Audit & Governance Committee. The mid-year review is undertaken on an informal basis alongside frequent updates to the Register throughout the year based on changes in departmental responsibilities and lead officers.

The Significant Partnership Register plays a key role in the Council being able to evidence its commitments to the value for money assessments which are focussed on improving economy, efficiency, and effectiveness. The Significant Partnership Register is involved here in so far that these commitments ensure significant partners are meeting their stated objectives in relation to service and / or performance quality, transparency and openness and the financial suitability of each partnership.

Further to this, the Council Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Significant Partnership Register's inclusion in the Constitution, demonstrates the Council's commitment to ensuring Significant Partnerships are operating with integrity, ethical values and within the law; ensuring openness and comprehensive stakeholder engagement; and determining the interventions necessary to optimise the achievement of the intended outcome.

4. RATIONALE

The Significant Partnership Register provides value to the Council in that it documents all governance arrangements of each significant partnership. This ensures that these arrangements are agreed by all involved parties as laid out by the framework. This further ensures that partners and the Council are aligned with the same aims, objectives, principles and values. These principles are often applied to non-significant partnerships as well thereby ensuring a high standard of governance across the organisation. The Register is subject to internal audit on a two-year cycle. This ensures the requirements of the Register are being met. The framework document for each Significant Partnership requires compliance under the following headings as recommended by CIPFA:

A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B) Ensuring openness and comprehensive stakeholder engagement.
C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
D) Determining the interventions necessary to optimise the achievement of the intended outcome.
E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F) Managing risks and performance through robust internal control and strong public financial management.
G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council's Code of Corporate Governance defines the partnerships that are included in the Register because not all partnerships are classed as *'significant'*. Following a recommendation from the BwDBC Audit and Assurance team, the Register is fully updated annually and then supported by a smaller mid-year review to capture any key updates. The general review takes place in quarter one and the comprehensive review takes place in quarter three. Onus remains on Chief Officers to ensure the entries are correct and up to date. All contact with Chief Officers and partnership leads is logged as per a recommendation from the BwDBC Audit and Assurance team. This year we have continued with the use of SharePoint in updating the Register and frameworks which allows for a more streamlined and efficient process for both the lead officers and the CE's Support Team.

5. KEY INFORMATION

Updates to the Register in quarter three include changes in personnel and portfolios and staff will continue to update these throughout the year as required. Each department was asked to review its partnerships and the following additions and deletions were made:

<u>Additions:</u>
A) Albion Mill Partnership Board
B) BwD School Effectiveness Board
C) CSAP Blackburn with Darwen Place-Based Board
D) Corporate Parenting Partnership
E) Young BwD Foundation
F) Darwen Town Deal

<u>Deletions:</u>
A) Intermediate Care Board
B) Road Safety Partnership Board

C) Strategic Alliance Partnership
D) BBCL School Improvement Board
E) Corporate Parenting Executive Board
F) Strategic Youth Alliance Partnership Board
G) Children's Safeguarding Assurance Partnership (formerly LSCB)
H) Pennine Lancashire Building Control
I) Association of Directors of Environment, Economy, Planning & Transport (ADEPT)
J) Local Council Roads Innovation Group
K) Northwest Highway Authority and Utility Committee
L) Northwest Joint Authorities Group
M) Lancashire Road Safety Partnership
N) Growth Contractor & Developer Framework
O) UK Shared Prosperity Fund

Renamed:
A) Funded Care Implementation Board to Funded Care Partnership Board
B) A&E Delivery Board to Urgent and Emergency Care Delivery Board (UECDB) Meeting

It is worthwhile to note that the Lancashire Enterprise Partnership will dissolve on 31st March 2024, once the Lancashire County Combined Authority is formed later this year. The Combined Authority will subsume the responsibilities that were previously held by the Lancashire Enterprise Partnership.

A general review of the Register will be scheduled in quarter 1 and this will ensure changes are recorded within an acceptable timeframe as recommended by the BwDBC Audit and Assurance team. Colleagues within the CE's Support team will also undertake updates to partnership details as they are identified. Chief and lead officers remain committed to ensuring the Register is completed to the required standard.

6. POLICY IMPLICATIONS
There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS
There are no financial implications arising from this report.

8. LEGAL IMPLICATIONS
There are no legal implications arising from this report.

9. RESOURCE IMPLICATIONS
There are no resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION
There are no equality implications arising from this report.

11. CONSULTATIONS
Chief Officers approve each entry on the register and the information within the related framework. Entries without a Chief Officer's signature are not accepted.

Contact Officer:	Mohsin Mulla, Business Manager
Date:	18th March 2024
Background Papers:	Significant Partnerships Register (Appendix 1 – attached separately)

Adults and Health

Department	Service area	Name of partnership	Purpose	Date established	Lead officer	Key	Link to Corporate Plan mission	Date reviewed
Adults & Health	Integrated Care	Albion Mill Partnership Board	The Albion Mill Partnership Board is a partnership organisation that comes together to jointly deliver Health and Social Care Intermediate Care Services	2016	Paula Snow	N	Build happier, healthier and safer communities	17/11/2023
Adults & Health	Prevent	Contest Board	To provide strategic governance and oversight of the delivery of the Contest strategy by partner agencies to ensure a consistent and coordinated approach is in place to mitigate the risk from terrorism related activity within Lancashire and the wider threat to national security	24/09/2015	Abdul Aziz Ghiwala	N	Build happier, healthier and safer communities	21/11/2023
Adults & Health	Community Safety	Domestic Abuse Partnership Board	Partnership working across public and voluntary sector agencies to review arrangements about the support for domestic abuse	2006, but Statutory from January 2021	Richard Brown / Abdul Aziz Ghiwala	N	Build happier, healthier and safer communities	21/12/2023
Adults & Health	Integrated Care	Funded Care Partnership Board	The Funded Care Partnership Board is a Health and Social Care partnership group who come together as decision makers on all aspects of Jointly Funded Care including Continuing Health Care and Complex care. The group includes ICB partners, LA's, Commissioning Support Unit and Lived Experience representatives. The Funded Care Operational Grpup feeds into this Board.	02/09/2021	Zoe Evans	N	Build happier, healthier and safer communities	18/12/2023
Adults & Health	Integrated Care	Integrated Care Board Quality Sub Group	The quality committee has been established to provide assurance to the ICB, that there is an effective system of quality governance and internal control that supports it to effectively deliver its strategic objectives and provide sustainable, high quality care.	01/09/2022	Mark Warren	N	Build happier, healthier and safer communities	18/12/2023
Adults & Health	Commissioning	Joint Commissioning Recommendations Group	To provide the planning, implementation and governance framework for integrated commissioning between the Council and Clinical Commissioning Group (CCG), as set out by the Health and Wellbeing Board, CCG Governing Body and the Council Executive Board.	01/05/2013	Katherine White	Y	A more prosperous borough where no one is left behind	18/12/2023

Adults & Health	Integrated Care	Lancashire & South Cumbria Integrated Care Partnership	The Integrated Care Partnership is a statutory joint committee of the Integrated Care Board and each responsible local authority (upper tier and unitary) within the Lancashire and South Cumbria area. This represents a broad alliance of organisations and stakeholders, who are concerned with improving the care, health and wellbeing of the population. The ICP must agree an Integrated Care Strategy for the areas that sets a small number of strategic priorities/ambitions to be delivered in places or through other partnerships.	01/09/2022	Cllr Damian Talbot / Mark Warren	Y	Build happier, healthier and safer communities	18/12/2023
Adults & Health	Integrated Care	Local Integrated Care Partnership - Place based Board	To enable Adult Social Care, Neighbourhood Teams, Health and the Voluntary Sector to efficiently work together to achieve better health, wellbeing and quality of life outcomes for our residents .The partnership has responsibility for delivering and improving shared health and care goals and providing the overarching framework within which partnership arrangements at the district and neighbourhood levels operate. *NOTE - Changes being introduced 1.4.24 including name (Place Based Partnership) and remit.*	01/06/2018	Mark Warren / Katherine White	Y	Build happier, healthier and safer communities	18/12/2023
Adults & Health	Safeguarding	Local Safeguarding Adults Board	Lead strategic group for safeguarding vulnerable adults	01/04/2010	Abdul Aziz Ghiwala	Y	Build happier, healthier and safer communities	21/11/2023
Adults & Health	Community Safety	Pennine Lancashire Community Safety Partnership Board (including the Reducing Reoffending Board)	To comply with the requirements of the Crime and Disorder Act; providing strategic governance in relation to the prevention and detection of crime and anti-social behaviour.	01/10/2016	Richard Brown / Abdul Aziz Ghiwala	N	A more prosperous borough where no one is left behind	21/11/2023
Adults & Health	Integrated Care	Transforming Community Mental Health Teams	To support, guide and evaluate the implementation of the community mental health frameworks for Adults and Older Adults across LSC.	04/01/2018	Brendan Gray	N	Build happier, healthier and safer communities	18/12/2023
Adults & Health	Integrated Care	Urgent and Emergency Care Delivery Board (UECDB) Meeting	Monitoring A&E performance	2017	Paula Snow	N	Build happier, healthier and safer communities	17/11/2023
Public Health	Public Health	Health and Wellbeing Board	Integrated partnership between the NHS, Social Care, Public Health and other local services to improve health and wellbeing in the borough.	February 2011 Statutory Board 2013	Abdul Razaq	Y	Build happier, healthier and safer communities	18/12/2023

Public Health	Public Health	Health Protection Board	To provide assurance to Elected Members, Chief Executives and national bodies, as required on the Blackburn with Darwen Covid 19 response arrangements and also provide assurance to the LRF Strategic Commissioning Group on the functioning and arrangements of the Pan-Lancashire COVID19 response hub.	07/01/2020	Abdul Razaq	N	Build happier, healthier and safer communities	18/12/2023

Children's and Education

Department	Service area	Name of partnership	Purpose	Date established	Lead Officer	Key	Link to Corporate Plan mission	Date reviewed
Children & Education	Schools	BwD School Effectiveness Board	To maintain an overview of performance across the borough, with particular focus on the progress being made in each of the Blackburn with Darwen school effectiveness priorities, and to act as a critical friend to the School Improvement Groups (SIGs), providing support, challenge and collective problem-solving.	2014	Michelle Holt	N	Every child and young person to have opportunities to fulfil their potential	06/12/2023
Children & Education	Safeguarding	CSAP Blackburn with Darwen Place-Based Board	To provide advice, guidance and content for partners and related agencies that is high-quality, up-to-date and can be used to ensure best practice and improved outcomes for children and young people.	2019	Jo Siddle	Y	Every child and young person to have opportunities to fulfil their potential	06/12/2023
Children & Education	Social Care	Corporate Parenting Partnership	To provide the strategic direction and overarching strategic priorities for improving outcomes for children in the care of the borough, and young adults leaving the council's care.	2024	Imran Akuji	N	Every child and young person to have opportunities to fulfil their potential	29/11/2023
Children & Education	Safeguarding	MAPPA Strategic Management Board	From the beginning of the year 2004 there has been a legal "duty" for social services "to co-operate" with the local police and probation departments with MAPPA (Multi-agency Public Protection Arrangements - section 325 of the Criminal Justice Act 2003). The duty to co-operate relates to operational casework involving assessing and managing the risk posed by high-risk offenders.	2001	Imran Akuji	N	Every child and young person to have opportunities to fulfil their potential	06/12/2023
Children & Education	SEND	SEND Strategic Partnership Board	The role of the SEND Strategic Partnership Board is to ensure that the responsibilities set out within the SEND reforms are delivered by the local area. As set out in the Children and Families Act 2014, Local Authorities and Health partners must work collaboratively and effectively to secure better outcomes for children and young people aged 0 – 25 with SEND and their families.	2019	Michelle Holt	Y	Every child and young person to have opportunities to fulfil their potential	06/12/2023

Children & Education	Adolescent Services	Young BwD Foundation	To promote the efficiency and effectiveness of charities and the effective use of charitable resources by organisations working with children and young people for the benefit of the public, and to advance in life and relieve the needs of children and young people through facilitating capacity building, seminars, training programmes, and securing grants funding for relevant organisations.	2023	Imran Akuji	N	Every child and young person to have opportunities to fulfil their potential	06/12/2023
Children & Education	Safeguarding	Youth Justice Service Strategic Management Board	Provides strategic direction to the Youth Justice Service	Steering Group 2000 Board 2008	Imran Akuji	Y	Every child and young person to have opportunities to fulfil their potential	06/12/2023

Chief Executive's

Department	Service area	Name of partnership	Purpose	Date established	Lead officer	Key	Link to Corporate Plan mission	Date reviewed
Chief Executive's	Corporate Strategy	Lancashire Leaders	Collaborative working across all 15 local authorities in Lancashire to develop a long term strategic plan.	2000	Denise Park; Ben Greenwood	N	A more prosperous borough where no one is left behind	10/01/2024
Chief Executive's	Civil Contingencies	Lancashire Resilience Forum	The function of Lancashire Resilience Forum (LRF) is to create a forum for organisations with a duty to co-operate under the Civil Contingencies Act 2004 to meet within a multi-agency environment to ensure the effective delivery of those duties. This includes maintaining and publishing agreed risk profiles for Lancashire through a Community Risk Register and develop a strategy to address the risks and other issues and events as they arise.	2004	Jenna Russett-Knott	Y	Build happier, healthier and safer communities	12/12/2023
Chief Executive's	Policy	Northwest Evergreen Fund	Property loan fund supported by EU funding to provide development funding in Greater Manchester, Lancashire and Cheshire	2013	Denise Park	N	A more prosperous borough where no one is left behind	18/12/2023

Growth and Development

Department	Service area	Name of partnership	Purpose	Date established	Lead Officer	Key	Link to Corporate Plan mission	Date reviewed
Growth & Development	Growth PMO	Barnfield Blackburn Ltd.	The company was set up for the purposes of acquiring the Milking Lane site, preparing the site for development and disposing of land parcels to 3rd parties for development.	2019	Simon Jones	N	A more prosperous borough where no one is left behind	17/11/2023
Growth & Development	Growth PMO	Blackburn with Darwen Employment and Skills Board	The Employment and Skills Board brings together the public, private and voluntary sector. The Board has agreed an Employment and Skills Strategy which align with national policy and the Lancashire LEP Skills and Employment Strategic Framework. The Board meets four times per year and has three sub groups to take actions forward.	December 2017	Martin Kelly	N	A more prosperous borough where no one is left behind	17/11/2023
Growth & Development	Growth PMO	Darwen Town Deal Board	To oversee the Darwen Town Investment Plan and Town Funds	Oct-20	Clare Turner	N	A more prosperous borough where no one is left behind	17/11/2023
Growth & Development	Policy	Growth Lancashire	Collaborative working arrangements across the public and private sector in BwD and the wider Lancashire area, focussed on growing productivity, prosperity and places. BwD is one of its founding members, is the company's employing body and Deputy Chair of the Board.	(Regenerate 2005) and Growth Lancashire 2016	Martin Kelly	Y	A more prosperous borough where no one is left behind	17/11/2023

Growth & Development	Growth PMO	Hive Ambassadors Network	Hive is a business network made up of over 330 local businesses with the aim to drive business growth in Blackburn and Darwen as well as promoting the borough as an excellent place to live, work and visit. The board consists of key senior staff from a variety of local businesses and organisations.	2012	Martin Kelly	N	A more prosperous borough where no one is left behind	17/11/2023
Growth & Development	Corporate Strategy	Lancashire Enterprise Partnership - formally closed from 31st March 2024	Collaboration of Leaders from business, universities and local councils who direct economic growth and drive job creation. BwD Deputy Leader is a LEP Director /Board member	Steering Group 2000 Board 2008	Martin Kelly	N	A more prosperous borough where no one is left behind	17/11/2023
Growth & Development	Property	Lancashire Property Board	To support the Lancashire Council's policy ambition of Public Services Working Together – where Lancashire delivers integrated public services at the heart of local communities, giving everyone the opportunity for a healthier and safer life.	January 2017	Martin Kelly	N	Build happier, healthier and safer communities	17/11/2023
Growth & Development	Growth PMO	Maple Grove Blackburn Ltd	The company was set up for the purposes of acquiring the Thwaites site, and preparing the site for development and disposal for town centre uses.	2021	Simon Jones	N	A more prosperous borough where no one is left behind	17/11/2023

Environment and Operations

Department	Service area	Name of partnership	Purpose	Date established	Lead Officer	Key	Link to Corporate Plan mission	Date reviewed
Environment & Operations	Highways and Network Operations	Lancashire Flood Risk Partnership	The Lancashire Partnership is one of five Flood & Coastal Erosion Risk Management (FCERM) Partnerships reporting to the North West RFCC alongside Cumbria, Merseyside, Cheshire Mid-Mersey and The Association of Greater Manchester Authorities (AGMA). All the FCERM Partnerships in the North West bring together the key agencies/authorities and other organisations/stakeholders to deliver an integrated and collaborative approach to manage flood risk.	2010	Imran Munshi	N	Build happier, healthier and safer communities	07/12/2023

Grant Thornton

Auditor's Annual Report on Blackburn with Darwen Borough Council

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2021/22 and 2022/23

March 2024

Agenda Item 4

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 due to the timing of the audit work and it being more efficient to produce one report covering both years. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Governance	No risks of significant weakness identified	Significant weakness identified in relation to difficulties encountered as part of the audit of the Council's financial statements with regard to land and buildings valuations for financial reporting purposes. We have concluded that the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error for 2021/22 and 2022/23. We have raised one key recommendation in relation to this issue.	Significant weakness identified.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made	↔

No significant weaknesses in arrangements identified or improvement recommendation made.

No significant weaknesses in arrangements identified, but improvement recommendations made.

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability

The Council is operating in an increasingly uncertain financial environment. Blackburn with Darwen, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council. We have identified a small number of improvement recommendations relating to the review of the review of expenditure to avoid overspends and setting achievable saving efficiencies.

Governance

Significant weakness identified in relation to difficulties encountered as part of the audit of the Council's financial statements with regards to PPE land and buildings valuations.

The 2021/22 audit has been on-going since December 2022, however, there have been significant delays due to a number of issues associated with the Council's valuation of its land and buildings. The accounts were initially received in September 2022, when the valuation of the Council's land and buildings had been undertaken by its own internal valuer. Based on issues identified in previous years we engaged Montagu Evans as our valuation expert.

Whilst our auditor valuation expert made challenges regarding the yields used for EUV valuations, a more serious concern was raised about whether the internal valuations had been prepared on the basis of a proper understanding of Depreciated Replacement Cost (DRC) valuations. As a result of these concerns the Council engaged a new external valuer to review all DRC asset valuations, initially focusing on 2022/23 and then working back to determine 2021/22 DRC valuations. This process has taken a considerable amount of time. Our auditor's expert reviewed a sample of the valuations performed by the new valuer and identified some concerns with the new valuations. The Council's external valuer initially concluded that the carrying value of assets measured at DRC as at 31/3/22 was understated by £19.2m. Upon further challenge from ourselves and our auditor expert, it was agreed that the external valuer had included certain costs which were not in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22. As a result of this further challenge the overall valuation of the assets measured at DRC was reduced by £8m, leaving an overall net increase in DRC asset carrying amounts at 31/3/22 of £11.2m.

We have concluded that the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error for 2021/22 and 2022/23.

Our other governance work has not identified any significant weaknesses, however, we have identified improvement opportunities to enhance the summary Corporate Risk Register to provide alignment with the strategic objectives/corporate plan and to remind staff of their obligations regarding declaration of interests, gifts and hospitality and the ownership/maintenance of departmental registers.

Improving economy, efficiency and effectiveness

Our work has not identified any significant weaknesses in this area, however, we have raised improvement recommendations relating to enhancing the Corporate Performance report to provide an indicator/measure of assurance on the quality of the data, and to review and update the data quality policy. An improvement recommendation is also raised relating to contract procedures in respect of enhanced review and scrutiny of waivers.

2021/22

We have substantially completed our audit of the 2021/22 financial statements and will issue our Audit Findings Report summarising our findings to the Audit and Governance Committee on the 18 March 2024.

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Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term
(3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 35.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit and Governance Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

Financial sustainability

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We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 Outturn

The 2021/22 Revenue Outturn Report was taken to the Executive Board on 14th July 2022. This report summarised the overall revenue financial position of the Council for the year ended 31st March 2022. Revenue expenditure was originally budgeted at £119.949m, however, actual revenue expenditure in relation to controllable budgets was increased in year by £1.709m to £121.605m. Actual revenue expenditure for the year was £121.658m, an overspend of £53k.

General Fund unallocated reserves were £7.718m at 31st March 2022, compared to £8.373m at 31st March 2021. There were several transfers both to and from unallocated reserves that were approved during the year. Earmarked reserves were £56.420m at 31st March 2022 compared with a balance of £47.665m at 31st March 2021, with a further £12.763m of other reserves held mainly in relation to schools.

2022/23 Budget Proposal

The General Fund Revenue Budget 2022/23 and Draft Financial Strategy 2022/25 were approved at Finance Council on 28th February 2022. The Council's budget was balanced for 2022/23.

The Council's Taxbase for 2022/23 was agreed at 35,439.30. The referendum threshold for Council Tax set by the Government, remained at 2.0% for 2022/23. In view of this, Council Tax was increased by 1.99% in 2022/23.

2022/23 Outturn

The 2022/23 Revenue Outturn Report was taken to the Executive Board on 6th July 2023.

Revenue expenditure was originally budgeted at £130.938m, however, actual revenue expenditure in relation to controllable budgets was increased in year by £3.332m to £134.270m. Actual (currently subject to audit) revenue expenditure for the year was £136.702m, this is an overspend of £2.432m. This overspend was originally forecast to be £4.473m as at 31st December 2022.

General Fund unallocated reserves were £6.941m at 31st March 2023, compared to £7.718m at 31st March 2022. There were several transfers both to and from unallocated reserves that were approved during the year.

Earmarked Reserves held for discretionary use by the Council at 31st March 2023 were £55.469 m compared with a balance of £56.420m as at 31st March 2022.

2023/24 Budget Proposal

The General Fund Revenue Budget 2023/24 and update to the Financial Strategy 2022/25 were approved at Finance Council on 27th February 2023. The Council's budget is balanced for 2023/24.

The Council's Taxbase for 2023/24 for the purposes of Council Tax calculations has been agreed at 36,282.84. Councils have additional flexibility in setting Council Tax, with the Government increasing the referendum limit for increases in Council Tax to 3% per year from April 2023. Therefore, the Council have increased Council tax by 2.99% for 2023/24.

Business rates income for 2022/23 and 2023/24 have been budgeted at £42.460m and £44.991m respectively. The Council will retain 49% from the net collectable Business Rates generated in the Borough, the remaining balance is shared between the Lancashire Fire Authority and the Government.

The Council has reported an overspend in 2021/22 and 2022/23 and have relied on the use of reserves to fund additional expenditure in year. The Council's reserves position in the short term to medium term is healthy, however, the Council should continue monitor expenditure closely to ensure larger overspends are not reported in future years.

The Council have presented a balanced budget for both financial years. Assumptions around Council tax and Business Rate growth are based on reasonable analysis.

Financial sustainability

Financial Pressures

The assumptions included within the budgets around income streams are reasonable. The Council include a table which summarises the funding expected over the course of the financial year and details any expected changes to these streams. The budget proposals factor in several cost pressures that the Council expects to face in the financial year, significant pressures identified for 2022/23 were as follows:

- Increasing costs and rising demand to the provision of domiciliary care and the cost of individual care packages. The portfolio is beginning to see an increase in referrals and care package costs reverting back to the Council to fund which will increase cost pressures in 2022/23.
- For 2022/23, the Local Government Pay Award provision has been made within the budget for a pay award of 2.00%. As in previous years, the proposed budget for 2022/23 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.
- The Bank of England expect inflation to peak at around 6% in April 2022 but to fall back in the second half of 2022. Within the 2022/23 budget and Medium Term Financial Plan, a provision has been made for inflation on specific areas of expenditure such as utilities, waste and for larger contracts where there are known pressures.

Significant pressures identified for 2023/24 were as follows:

- The financial position of the Children's, Young People and Education Service has seen a significant deterioration during 2022/23 when compared to the budget position for the previous year. During 2022/23, the budget for Commissioned Placements was overspent by £2.499m. This is due mainly to the increase in the number of children subject to an Out of Borough placement. There are also overspends in other service areas, therefore, the proposed budget for 2023/24 includes an additional investment of £3.5m to address these issues.
- For 2023/24, the Local Government Pay Award provision has been made within the budget for a pay award of 5.00%. As in previous years, the proposed budget for 2023/24 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.
- Utilities were subject of significant pressure during the 2022/23 financial year. The volatility of prices means that estimates indicate the cost of the Council's utilities will continue to rise significantly in 2023/24. As a result of this, the Council's budget for 2023/24 includes an additional provision of £3.0m for utility costs, increasing the budget for the year to £7.0m.

The financial plans produced by the Council adequately reflect the expected cost pressures in the financial year, and plans are put in place to mitigate potential overspends.

Medium Term Financial Plan

The Council's Medium Term Financial Plan (MTFP) is reviewed alongside the Council's budget monitoring processes each year and presented within the Financial Strategy approved at Finance Council each year. The MTFP covers a three year period and is regularly amended to reflect any known or potential pressures. From our review of the MTFP, there is no indication that the Council intend to relieve any short-term revenue pressures through use of capital resources within the General Revenue Budget.

During the budget setting process for 2022/23, although a balanced budget was presented, there was an estimated funding gap in 2023/24 of £3m rising to £6m in 2024/25.

The Council have a Budget Support Reserve of £5m which was established in 2021/22. This Reserve will be used to smooth the impact of budget reduction measures over the life of the Medium Term Financial Plan. In 2022/23, an amount of £1.120m was used to support the budget.

An addendum to the Financial Strategy was taken to Finance Council on 27th February 2023 alongside the 2023/24 General Revenue Budget. This confirms that in 2023/24, an amount of £2.688m will be used from the Budget Support Reserve to support the 2023/24 budget (of which £700k relates to the write down of provisions in 2022/23 and £570k relates to a technical delay of savings in 2023/24). The funding gap initially identified for 2023/24 is no longer present, however, the anticipated finding gaps for 2024/25 and 2025/26 are £6.405m and £12.249m respectively.

Financial sustainability

Medium Term Financial Plan (continued)

The purpose of the Financial Strategy is to provide a broad framework by which the Council can implement measures to deal with the gaps identified. The Strategy is based around the following themes:

- Growing the Council's income through increasing the Borough's taxable capacity
- Raising income so it is possible to continue providing services that residents value
- Saving costs by reviewing how the Council delivers services
- Stop spending on lower or non-priority areas.

Savings and efficiencies

The Council set a balanced budget for 2021/22, this did not include a significant savings programme. Budget efficiencies were proposed within the 2022/23 General Revenue Budget, which were as follows:

Adults and Prevention – £750k
Children, Young People and Education– £320k
Environment and Operations – £205k
Digital and Customer Services – £100k
Finance and Governance – £690k

The Council agreed a savings target of £2.065m for 2022/23. The Revenue Outturn Report for 2022/23 taken to the Executive Board in July 2023 confirms that the Council achieved £1.799m by year end, leaving an adverse variance of £266k.

The budget efficiencies proposed within the 2023/24 General Revenue Budget, are as follows:

Adults and Social Care and Health – £1,446k
Children, Young People and Education – £367k
Public Health, Prevention and Wellbeing – £207k
Environment and Operations – £447k
Growth and Development – £150k
Digital and Customer Services – £112k
Finance and Governance – £987k

The savings target for 2023/24 is £3.716m.

Progress made against savings targets are monitored and reported to the Executive Board on a quarterly basis within the Revenue Budget Monitoring reports. The quarter 2 2023/24 Revenue Budget Monitoring report confirms that the forecast savings outturn is £3.046m.

By 31st March 2023, the Council achieved 87% of their savings target, and they have forecasted to achieve 96% of their 2023/24 savings target.

The Council underwent an LGA Corporate Peer Challenge in July 2023. The peer challenge involves a team of experienced officers and members who spend time with another Council as 'peers' to provide challenge and share learning. Participating councils receive a comprehensive report and recommendations from the peer team and then identify their own action plan to respond.

A key recommendation was raised on Financial Management. It was recommended that the Council should maintain focus on the delivery of the required savings and ensure council wide understanding and ownership of the on-going financial challenges and associated savings requirements. The LGA review also recommended the Council develop clear, realistic delivery plans for 2024/2025 and future years savings with regular monitoring reports focusing on the delivery of those savings to both the leadership team and Executive Board.

The Council provided a response through the Action Plan created. The Council confirmed that further work is required to develop detailed proposals and related delivery plans so that the Council can set a balanced budget for 2024/25 and over the medium term, including reviewing and updating the MTFP. The work to do this started in Autumn 2023 in line with the budget setting process , when it is considered necessary to do so, proposals will be brought forward for consideration by the Executive Board, Council and with public consultation as appropriate.

In future budget proposals, the Council should ensure that the budget efficiencies set are realistic and achievable, the Council should continue close monitoring of the delivery of budget efficiencies to ensure that they can deliver the budget.

Financial sustainability

Budget setting process

The budget setting process is multilayered and thorough, with several stages. The budget setting process starts in June each year and includes leadership meetings with Directors to identify cost pressures from within their portfolios. The budget strategy is contributed to by every Director and their associated departments. Plans are discussed with the Leadership team including members and are signed off at Finance Council in February each year. The process ensures that plans are not created in silo, any conflicting or competing elements are addressed early prior to budget sign off.

Where it is appropriate to do so, there is internal and external engagement on matters that ultimately feed into the development of the Council's financial plans.

The Council's Executive Board receive detailed quarterly budget monitoring reports on both the General Fund Revenue Budget and the Capital Programme. These reports include both the proposed changes to the budget and the forecast outturn. The detailed quarterly budget monitoring reports include information on related service activity and detailed analysis of variations including relevant explanations for service financial performance.

There are good systems in place for oversight of the budget. The Finance Department engages with budget holders to assist in budget setting. As part of its normal budget monitoring procedures, Finance teams undertake regular assessments of the forecast outturn position to inform the normal financial planning processes. This will include various iterations of the outturn forecast based on an understanding of likely activities.

Alignment of the Corporate Plan and the Financial Plan

The Blackburn with Darwen Corporate Plan 2023 – 2027 succeeds the 2019 – 2023 plan. The Council's Corporate Plan set outs the priorities of the Council as follows:

- Supporting young people and raising aspirations
- Safeguarding and supporting the most vulnerable people
- Reducing health inequalities and improving health outcomes
- Connected communities
- Safe and clean environment
- Strong economy to enable social mobility
- Supporting our town centres and businesses
- Transparent and effective organisation

In the new Corporate Plan, there is a clear link between the Council's corporate planning process, priorities and the Council's financial strategy. The Council does not differentiate between statutory and discretionary areas of spend, financial planning focuses on achieving the best outcomes for the Council against its strategic priorities. The Council recognises the importance of delivering what are considered to be statutory services and doing so is in the context of the Corporate Plan, however, the delivery of some discretionary services is crucial to sustaining the delivery of statutory services.

Conclusion

In conclusion, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. Reserves balances are healthy, and the General Fund Reserve balance is sufficient enough to help protect against short term volatility. However, we have made improvement recommendations for some arrangements in place that can be enhanced.

Improvement recommendations

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Financial sustainability

Recommendation 1	Going forward the Council should ensure that the budget efficiencies set are realistic and achievable.
Audit year	2022/23
Why/impact	The Council should ensure that the budget efficiencies set are realistic and achievable, the Council should continue close monitoring of the delivery of budget efficiencies to ensure that they can deliver the budget.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Summary findings	By 31st March 2023, the Council achieved 87% of their savings target, and they have forecasted to achieve 96% of their 2023/24 savings target. The Council underwent an LGA Corporate Peer Challenge in July 2023 and a key recommendation was raised on Financial Management. Going forward the Council should maintain focus on the delivery of the required savings and ensure council wide understanding and ownership of the on-going financial challenges and associated savings requirements. Develop clear, realistic delivery plans for 2024/2025 and future years savings with regular monitoring reports focusing on the delivery of those savings to both the leadership team and Executive Board.
Management Comments	The Council has in place a Financial Strategy that underpins the delivery of the Corporate Strategy whilst ensuring the Council can fulfil its statutory obligation of having a balanced budget annually. There is effective medium term financial planning but in the context of a funding regime that offers only 1-year funding settlements, certainty of funding inhibits the Council's ability to plan effectively the delivery of Council services. Nevertheless, using the key themes of the Financial Strategy - Grow, Charge, Save, Stop - and the continuing work on the strategic workstreams combined with the development of a budget skewing model, further efforts will be made to develop realistic and achievable savings over the medium term period.

The range of recommendations that external auditors can make is explained in Appendix C

Governance

LGA Peer Challenge – July 2023

Blackburn with Darwen Council was subject to a corporate peer challenge (CPC) in July 2023 which is recommended by the LGA, and expected by government, to be undertaken every five years. CPC is a trusted method of improvement and provides councils with a robust and effective improvement tool. The CPC feedback report and action plan was reported to Council in October 2023, however, it is noted that some of the findings and associated actions will be relevant to the period of review in this report.

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges.

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement

Progress continues on advancing the action plan and the LGA's Peer team will visit the Council in March 2024 to conduct a progress review. In July 2024, the Council will publish a Progress Review report.

Where possible we have cross referenced to any applicable findings where there is a recommendation and agreed action plan already in place, to avoid duplication.

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Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management and Internal Controls

The Council had robust Risk management arrangements in place for 2021/22 and 2022/23 that is adequately documented and supported by oversight from the Audit and Governance Committee.

The revised Risk Management Policy Statement and supporting Risk Management Strategy and Framework 2021-2026 was presented to the Executive Member for Finance & Governance for approval in February 2022.

Quarterly risk management updates were provided to the Audit and Governance Committee throughout 2021/22 and 2022/23 which include a narrative report and the summary Corporate Risk Register.

The Corporate Risk Register contained 21 open risks as at 31 March 2023 and the Council's top corporate risks at that date were those relating to the following:

• Failure to deliver a balanced budget and Medium- Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances;

• A high profile serious or critical safeguarding case that is known to the Council services, in light of Covid-19 working arrangements;

• Cyber security failures leading to financial, data loss or disruption to services from compromise of the IT network or systems;

• Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met;

• Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough; and

• The risk to the delivery of public services as a result of ongoing industrial unrest and strike action in the NHS and other key partners and sectors.

The Annual Risk Management report for 2022/23 was presented to the Audit & Governance Committee in July 2023 and updated the Committee on a number of improvements made within the year as follows:

- Implementation of a Corporate Risk Management Policy Statement, which defines the Council's overall corporate 'appetite' for risk, along with an updated Risk Management Strategy & Framework and supporting Toolkit;
- The continuation of regular 'deep dive' reviews of specific corporate risks by the Audit & Governance Committee to improve its oversight and understanding of these risks.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management and Internal Controls (Cont'd)

- Monitoring and review of the completion of corporate and departmental risk registers and changes in risk scores, with associated reporting to the Corporate Leadership team and Audit & Governance Committee.
- Continuing development of the Management Accountabilities Framework Dashboard reporting arrangements aligned with development of the Corporate Plan reporting and monitoring arrangements.
- On-going scrutiny and challenge of Directors Management Accountabilities Framework Dashboard reports, to ensure that risk issues identified have been included in Departmental or Corporate risk registers.

The summary Corporate Risk Register includes the following:

- Risk Description, Date Raised, Strength of Existing Controls, Risk Rating for Inherent/Residual/Target Risk, Risk Owner, Key contact, Risk Status, Last review date, Previous Residual Risk Rating and Change in score.

The LGA Peer Challenge report issued in July 2023, identified an opportunity to develop the Corporate Risk Register shared with the Audit and Governance Committee into a more comprehensive document which captures risks, impact, likelihood, mitigation actions and timeline for actions. We fully support this finding and in addition recommend that this includes alignment to the achievement of strategic objectives/Corporate plan priorities.

Financial Reporting

As part of our audit of the 2021/22 financial statements we encountered a number of problems with regards to the valuation of the Council's land and buildings, causing delays to the audit. The audit commenced in December 2022, when the valuation of the Council's land and buildings had been undertaken by its own internal valuer. Based on issues identified in previous years we engaged Montagu Evans as an auditor valuation expert.

In March 2023 our valuations expert reviewed a sample of the valuations performed by the Council's internal valuation team and serious concerns were raised in relation to both "Existing Use Value" (EUV) and "Depreciated Replacement Cost" (DRC) valuations. Challenges were made regarding the yields used for EUV valuations, but a more serious concern was raised about whether valuations had been prepared on the basis of a proper understanding of Depreciated Replacement Cost (DRC) valuations. As a result of these concerns the Council engaged a new external valuer to review all assets measured at DRC, initially focusing on 2022/23 and then working back to determine 2021/22 DRC valuations. This process took a considerable amount of time and was subsequently reviewed by our auditor valuation expert, with concerns being raised in relation to the new valuations. The Council's external valuer initially concluded that the carrying value of all assets measured at DRC as at 31/3/22 was understated by £19.2m. Upon further challenge from ourselves and our auditors expert, it was agreed that the external valuer had included certain costs which were not in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22. As a result of this further challenge the overall valuation of the assets measured at DRC was reduced by £8m, leaving an overall net increase in DRC asset carrying amounts at 31/3/22 of £11.2m.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Given the difficulties that have been encountered with regards to the land and buildings valuations we have concluded that the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error for 2021/22 and 2022/23, and this is a significant weakness. We have raised one key recommendation in relation to this issue.

Internal Audit

The Council had appropriate arrangements in place for 2021/22 and 2022/23 with Internal Audit provided by an in-house team.

The Audit and Governance Committee received regular updates throughout both years on progress against the Internal Audit plan.

2021/22

The Audit & Assurance Plan was approved by the Audit Committee on 30th March 2021. The Plan included 758 days for internal audit assignments and counter fraud work. Internal Audit delivered 646 days (85%) against the approved Audit & Assurance Plan. The shortfall arose due to members of the team being redeployed to support the Council's response to the pandemic at the start of the year and the impact of a vacancy that occurred in the team.

2022/23

The Audit & Assurance Plan was approved by the Audit Committee on 29th March 2022. The Plan included 803 days for internal audit assignments and counter fraud work. Internal Audit was able to deliver a total of 760 days (95%) against the approved Audit & Assurance Plan. The shortfall arose due to additional time members of the team provided to the Insurance team for support for the insurance tender and claims management processes, whilst covering for maternity absence, and for the reciprocal arrangement with Lancashire Chief Internal Auditors to carry out the peer review of the Burnley Borough Council internal audit service. All Priority 1 (highest risk level) audits were delivered.

The days achieved against the original and revised Audit & Assurance Plan in both years were considered sufficient to provide an opinion on the effectiveness of risk management, control, and governance.

The Head of Internal Audit's annual assurance opinion provided for 2021/22 and 2022/23 was that adequate assurance can be placed upon the Council's framework of governance, risk management and internal control.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Counter Fraud

The Council's Counter Fraud Policy Statement and Counter Fraud Strategy 2022/25 were approved in June 2022 and demonstrate the Council's commitment and approach to this area from top down. They also provide a framework to ensure a consistent approach to embedding robust and effective counter fraud arrangements across the Council.

The Audit & Assurance Team have provided regular corporate fraud updates to the Audit & Governance Committee in 2021/22 and 2022/23. In addition, Counter Fraud Annual reports were presented to the Audit & Governance Committee for both years and concluded that Council had effective measures to enable the prevention and detection of fraud and irregularities.

The Council takes part in the National Fraud Initiative which is coordinated by the Audit & Assurance team and monitors the completion of the fraud awareness e-learning package by staff.

The Audit & Assurance team also monitor whistleblowing calls and emails received by the Council and undertake investigations into reports of potential or suspected fraud, non-compliance with financial policies and procedures or financial irregularities.

The Council's Whistle-blowing and Corporate Complaints Policies are available on the Internet. Both define what steps will be taken in investigating allegations of potential or suspected fraud or irregularity reported by staff or complaints received from members of the public.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Decision Making

The council has a leader and executive model of governance in place, and the leader of the opposition sits on the Executive Board.

The Constitution sets out the overall framework for decision-making. It includes delegations to various committees, Executive Members and officers, and scrutiny arrangements for holding decision makers to account. The Constitution was updated in July 2022 to reflect the resolutions/decisions made at Full Council since October 2021. This included changes in organisational structure and agreed, statutory changes and changes to the delegations.

In July 2022, the Council reviewed the overview and scrutiny committee (O&S) arrangements in view of the significant changes in health and social care and the enhanced focus on children's services improvement following the OFSTED report in January 2022 which concluded that the service "Requires Improvement".

The People O & S was replaced with two separate scrutiny committees, namely Health and Social Care O & S, and Children, Young People and Education O & S. There are also two additional committees, Place O & S and Policy and Corporate Resources O & S.

We note that the Constitution was revised again more recently in July 2023.

The Executive is responsible for most policy and operational decisions. The Leader appoints members to the Executive Board and determines the allocation of portfolios to Executive Members.

A Forward Plan of Key Decisions is maintained and reports for Key Decisions are subject to scrutiny by the Corporate Leadership Team and, where appropriate, relevant Executive Member before being considered by the Executive Board.

The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer and is responsible for ensuring lawfulness and fairness of decision-making.

The Council has continued to use the Mod.Gov system throughout 2021/22 and 2022/23 to ensure that reports are subject to robust scrutiny by the relevant statutory officers and an an audit trail is maintained.

Enquiries made of the Monitoring Officer during this review identified that there were no concerns with the provision of information to decision makers for the period of review and the decision making process complies with the constitution

The Council has a Statutory Governance Officers Group which assists in promoting good governance and decision making across the Council via reviews of key processes and compliance, including ensuring there is appropriate information, training and development for Council officers and members

Key findings/observations from the LGA Peer challenge in this area were that following the review of Overview & Scrutiny arrangements the Council should:

- Undertake further work to enhance and embed a culture of effective overview and scrutiny across the council and work with members and officers to build a better understanding of the role and function of overview and scrutiny, its purpose and effectiveness.
- Consider the officer resource required to support effective overview and scrutiny at the Council.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Decision Making

Key findings/observations from the LGA Peer challenge in this area were that following the review of Overview & Scrutiny arrangements the council should:

- Undertake further work to enhance and embed a culture of effective overview and scrutiny across the Council and there is an opportunity to work with members and officers to build a better understanding of the role and function of overview and scrutiny, its purpose and effectiveness. This should include work with opposition members to address some feedback, picked up by the peer team, that it can sometimes be difficult to influence agendas and the future work programmes for some committees.
- Consider the officer resource required to support effective overview and scrutiny at the Council.
- The Council has agreed actions to continue to enhance and embed the culture of effective scrutiny with appropriate support including creating a Corporate Parenting Panel, the launch of a new induction programme and improving the wider training and support plan for chairs and all members of the Overview & Scrutiny Committees. Progress will be reviewed during the LGA Peer follow up review in March 2024.

We support the findings of the peer review and therefore no additional recommendations are made.

Leadership

The Peer review challenge concluded that the Council demonstrates strong, visible and well respected political and managerial leadership. The peer team found that senior leaders have a clear understanding of Blackburn with Darwen as a place, its opportunities and challenges. During 2022/23 there were a number of changes to the senior leadership team as follows:

- New Strategic directors for Children/Education and for Adults and Health.
- New Director of Public Health.
- New post of Director of Health and Care Integration. A joint appointment between the council and Integrated Care Board, was appointed in summer 2022.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Tone from the Top / Culture

Our enquiries of the Monitoring Officer in respect of the period of review confirmed that the member/officer relationship is good and no issues identified for the period of review. Work is currently ongoing in respect of Member/Officer Protocol and awareness. This is supported by the findings of the Corporate Peer challenge which concluded that:

- The Council demonstrates strong, visible and well respected political and managerial leadership and senior leaders have a clear understanding of Blackburn with Darwen as a place, its opportunities and challenges.
- The Corporate Plan outlines a clear vision and associated missions for both the council and wider borough.

Standards and Behaviours

The Council Constitution contains codes of conduct for Members and officers. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the Code of Conduct as part of their induction. All Members are required to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website.

The Employee Code of Conduct is reflected in the Constitution. New employees are required to sign the Employee Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of personal interests.

An Internal Audit review undertaken in 2022/23 on Corporate & Departmental Governance Arrangements identified limited compliance with the requirement for departments to ensure that Registers of Personal Interest and Gifts and Hospitality were kept up to date. This will be followed up as part of Internal Audit follow up processes, however staff should be reminded of their obligations and there should be ownership within departments to maintain registers.

The Constitution also contains the Member/Officer Protocol, which sets out the roles and expectations for working together.

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct which includes arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary makes appropriate recommendations.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Climate Change / Net Zero

The Council declared a Climate Emergency (at the Council Forum on 18th July 2019) and has committed to making Blackburn with Darwen carbon neutral by 2030. In response to this, the Council has established a Climate Emergency Working Group to oversee the delivery of the Climate Change Action plan which is one of the core missions within the Corporate Plan.

More recently, a People's Jury (32 residents from randomly selected households across the borough) was convened to consider what the Council (and others) should do in response to the climate emergency. The People's Jury met between September and December 2022 and drew up 15 recommendations on the themes of communication and education, transport and housing and building in response to the question: 'What do we need to do in our homes, in business and our local area to respond to the climate change crisis?'. The resulting report and recommendations were launched in January at an event for elected members, officers of the Council and stakeholders from the public, private and third sectors. The recommendations were presented to Council Forum in January 2023 with a view to informing the action plan for 2023/24.

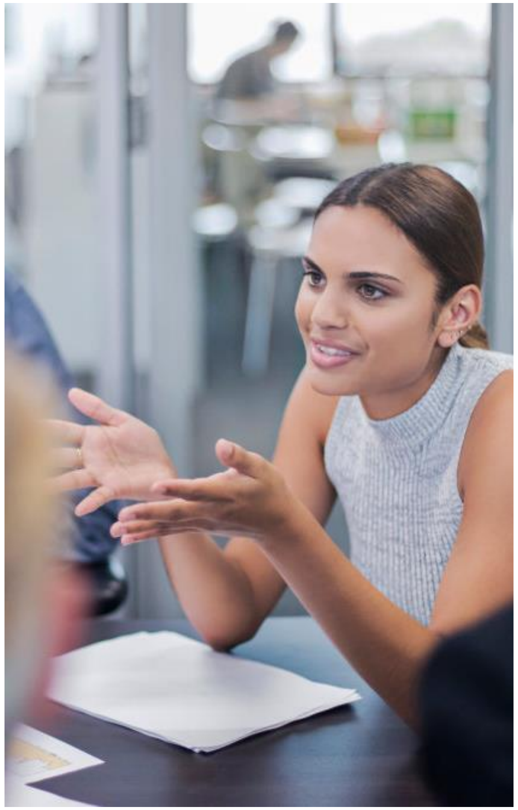
Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes appropriate decisions in the right way in 2021/22 or 2022/23. We have identified an opportunity for the Council to enhance the summary risk register provided to Audit and Governance Committee, by including alignment to strategic objectives / Corporate Plan. In addition, we have made an improvement recommendation to ensure that staff are reminded of their obligation to declare interests and gifts and hospitality and that there is ownership within departments to maintain registers.

Key recommendations

Governance

Recommendation 2	The Council must improve the procedures for valuing its land and building assets to ensure compliance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting. The Council should also put effective quality review processes in place to ensure draft financial statements are in accordance with accounting requirements and free from material error in order to allow for timely publication of audited financial statements.
Audit year	2021/22 and 2022/23
Why/impact	Inaccurate land and buildings valuations not prepared in accordance with RICS guidance and aligned with the CIPFA Accounting Code have the potential to lead to the financial statements being materially misstated.
Auditor judgement	Our work has identified weaknesses in the Council's approach to valuing its land and buildings for financial reporting purposes.
Summary findings	Issues identified as part of the audit of the 2021/22 financial statements with regards to land and buildings valuations has highlighted weaknesses in the Council's approach to obtaining accurate asset valuations for financial reporting purposes.
Management Comments	The Council has engaged an External Valuer to provide valuations for land and buildings under a contract that includes a requirement that any such valuations comply with recognised RICS guidance and CIPFA Accounting Code of Practice. The Council's Property Team will remain the Client for the delivery of this Service, providing the quality review process as required.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

Recommendation 3	The Corporate Risk Register shared with the Audit and Governance Committee should be developed further to include alignment to strategic objectives/Corporate plan priorities.
Audit year	2021/22 and 2022/23
Why/impact	The Corporate Risk register should provide sufficient detail to clearly align and identify significant risks to achieving strategic objectives.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Summary findings	The LGA Peer Challenge report issued in July 2023, identified an opportunity to develop the Corporate Risk Register shared with the Audit and Governance Committee into a more comprehensive document which captures risks, impact, likelihood, mitigation actions and timeline for actions. We fully support this finding and have also identified that risks are not currently aligned to achievement of strategic objectives/Corporate plan priorities in the summary shared with the committee.
Management Comments	Whilst the Council's view is that the link between the risks identified in the Corporate Risk Register and the Corporate Plan objective is reasonably intuitive, it is accepted that it is not explicit. As a consequence, a column will be added to the summary of the Corporate Risk Register to indicate clearly the link with the Corporate Plan objectives.

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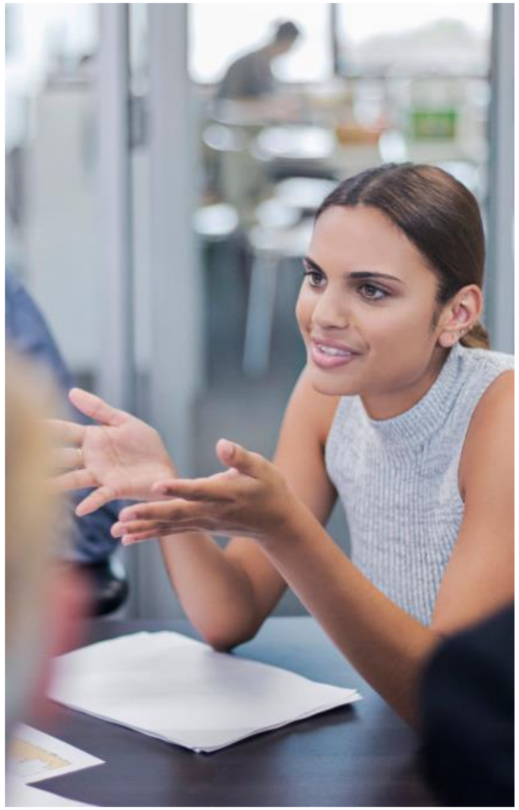
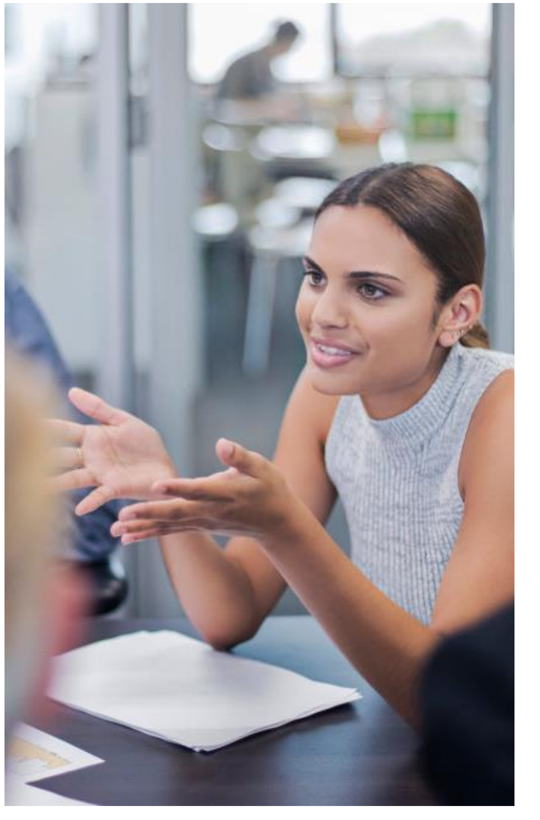


The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

Recommendation 4	The Council should ensure that recommendations made in the Corporate & Departmental Governance review are implemented and staff should be regularly reminded of their obligations with regards to declaring Personal interests and gifts and hospitality, with clear ownership within departments to maintain registers.
Audit year	2022/23
Why/impact	The requirement to register interests and gifts and hospitality is mandated within the Employee Code of Conduct.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Summary findings	An Internal Audit review undertaken in 2022/23 on Corporate & Departmental Governance Arrangements identified limited compliance with the requirement for departments to ensure that Registers of Personal Interest and Gifts and Hospitality were kept up to date. This will be followed up as part of Internal Audit follow up processes, however staff should be reminded of their obligations and there should be ownership within departments to maintain registers.
Management Comments	Staff are reminded at least annually of their obligations to register interests, gifts and hospitality and the Council has undertaken significant work in 2023/24 to digitise this process so that it is as simple as possible for any such interests to be declared. However, consideration will be given to the frequency of reminders to staff to ensure compliance.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

The Council has used both the Financial resilience index (produced by CIPFA) and comparison of RA Form data (which informs CIPFA stats) to assess Council's overall cost competitiveness and Financial Resilience.

The Council also assesses its performance against other similar sized councils or against national averages which highlight specific areas for improvement or reassurance that performance is either better or in line with expectations. The Council uses benchmarking opportunities across a number of its services e.g. data on Children's services such as:

- No of contacts received by the Council,
- No of child protection plans in place
- No of looked after children per 10,000 population.

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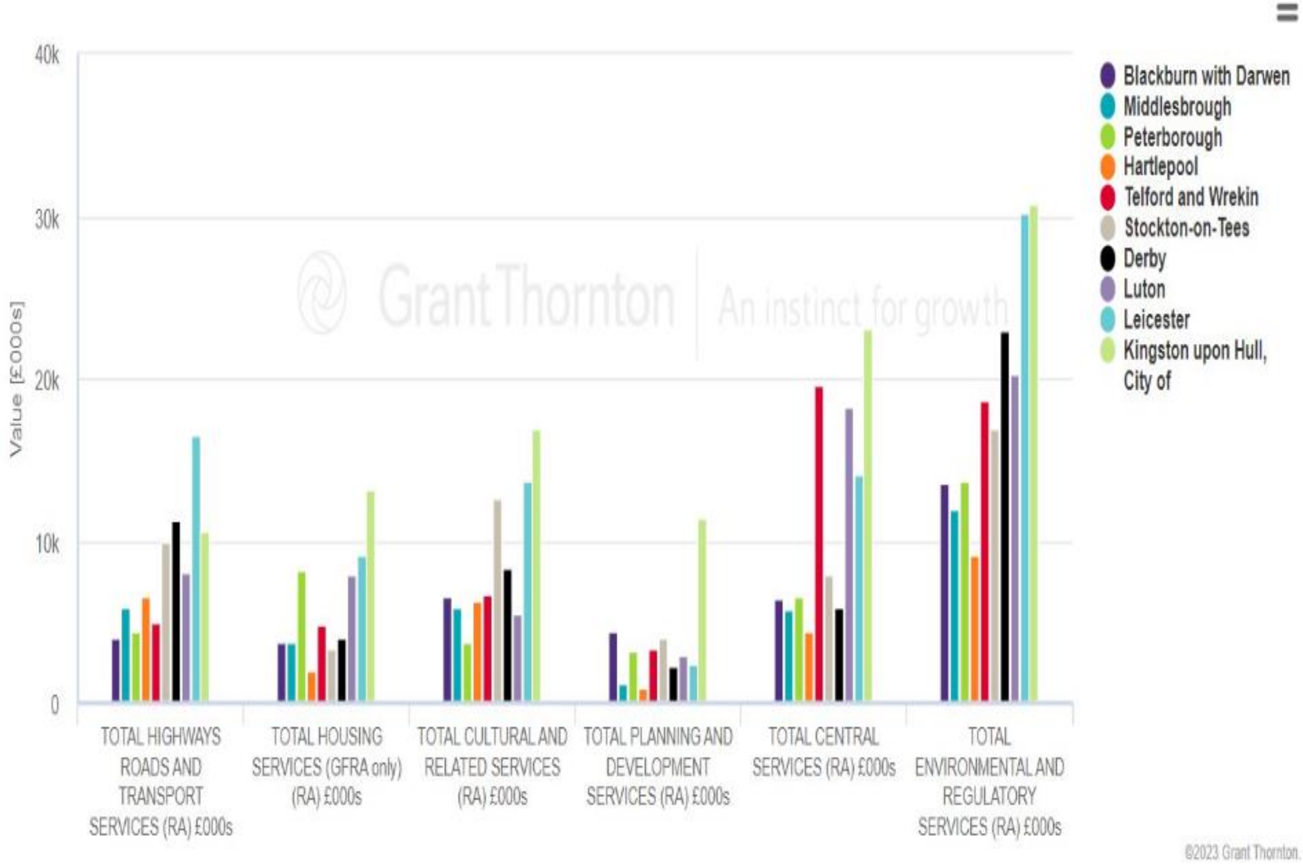
These are benchmarked through the North West Association of Directors of Children's Services (ADCS) where the Council's information is compared to other North West Council's as well as national averages.

The Council is also a member of SIGOMA (Special Interest Group of Municipal Authorities) which is one of the largest interest groups within the LGA (Local Government Association).

We undertook benchmarking for 2022/23 using our management tool 'CFO Insights 'which compared the unit costs for a range of services to identify if any unit costs were very high in comparison to other district councils. As detailed in the adjacent chart, the Council ranked higher than some of its neighbouring authorities for "Planning and Development" and "Cultural & related services" however there were no significant concerns raised.

In addition, higher unit costs are reported for" Education, Adult Social Care and Public Health. It is recognised that there are significant pressures on all Councils with regards to Adult and Childrens Social Care particularly, and we note that Public Health is included as a core mission area within the Corporate plan. We are satisfied that the Council has appropriate arrangements in place to compare and analyse its performance and have not identified any areas of significant weakness in this area, however an improvement recommendation is made within the " Improving Economy, Efficiency and Effectiveness" section (pg26) regarding review of the quality of the data used for Children's services, highlighted in the LGA Peer review.



Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Management

We reported in our 2020/21 annual report that the Council had appropriate performance monitoring arrangements in place. This has continued throughout 2021/22 and 2022/23. Half year progress against the corporate plan priorities is reported to Policy Council in December for consideration, this includes a review of performance for the previous 12 months and a forward look to the next 12 months. Exception reports are provided which note remedial action to improve delivery for any indicators which are off track /giving cause for concern. Key areas of concern relating to the achievement of departmental or Corporate Plan priorities, or business plan objectives are reported to Corporate Leadership Team and Audit & Governance Committee as part of the Internal Audit Progress Report on a six-monthly basis.

The Council's performance against its strategic priorities in the Corporate Plan was reported to the Policy Council in December 2021 and December 2022 and year end results were reported to the Executive Board in June 2022 and August 2023.

Review of the **2021/2022** annual performance report identified that, of 70 indicators

- 8% (6 actual) forecast as "red" where performance is, or likely to be off track
- 26% (18 actual) forecast "amber" where delivery is on track and currently being managed
- 56% (39 actual) forecast "green" or on track
- 10% (7 actual) of the measures were data and or a RAG rating was currently unavailable.

The 6 indicators identified as "red " were:

- Number of individuals engaged in activity across the Our Community Our Future Programme
- Number of community groups engaged in activity across the Our Community, Our Future Programme
- Number of digital library loans
- Number of people supported into employment or learning
- Undisputed and valid supplier invoices paid within 30 days
- Reduction in employee absence through sickness

Review of the **2022/23** annual performance report identified that, of 69 indicators

- 3% (2 actual) forecast as "red" where performance is, or likely to be off track
- 12% (8 actual) forecast "amber" where delivery is on track and currently being managed
- 78% (54 actual) forecast "green" or on track
- 7%(5 actual) of the measures were data and or a RAG rating was currently unavailable.

The 2 indicators identified as "red " were

- Number of people supported into employment or learning
- Reduction in employee absence through sickness.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Management

From review of the exception reports appended to the performance report, appropriate measures are in place to monitor and mitigate shortfalls where possible. Sickness absence remains a key focus for the Council in terms of cost, impact on service delivery and creating additional workload for those who remain in work. The rate of sickness absence remains high in both years however the Council has developed a proactive, focussed approach by working closely with managers to establish preventative measures to reduce sickness.

The LGA Peer Challenge report recognised that the Council was in the process of revising and finalising a suite of key performance measures aligned to the Corporate Plan (2023-2027) and recommended that this work should be finalised at pace to enable the Council to report quarterly on progress and achievements against the new Corporate Plan to staff, residents, partners and stakeholders.

For 2023/2024 the Council has revised its suite of key performance measures to ensure alignment with the Corporate Plan (2023 2027). A soft-launch of collecting data for Quarter 1 was undertaken, with formal reporting continuing from Quarter 2 onwards to Executive Board and Policy Council.

The following issue was raised in the Childrens services OFSTED report Jan 2022 with regards to the quality of data.

"inaccurate data about care leavers, as a result of electronic recording systems not being kept up to date, is providing false assurance about key performance indicators".

It is noted that actions were included as part of the Childrens Improvement plan to :

- Deliver training to improve the recording and monitoring of accommodation for care leavers over 21
- Prioritise the development of a specialised performance management analyst for reporting and analysis of performance. The Council has a data quality policy however this is dated 2019 and should therefore be reviewed and updated for continued relevance. We have made an improvement recommendation to this effect.

The Council has a data quality policy however this is dated 2019. We understand that this was in the process of being updated at the time of our review.

From review of the Internal Audit strategic Plan it was identified that an audit of Performance Indicators / Data Quality is not scheduled until 2024/25.

As reporting on the new performance measures aligned to the Corporate plan 2023-2027 becomes embedded, it is key that assurance over the quality of the data underpinning the measures can be provided. Where issues are identified from external or internal reviews /audits, there should be a mechanism to prioritise deep-dives in these areas and/or undertake a rolling review of key performance measures, and feed outcomes into the performance report.

We have raised improvement recommendations for the Council to consider developing the format of the Performance report further, to provide an indicator/measure of assurance regarding the quality of the data underpinning the performance measures and to review and update the data quality policy accordingly.

Improving economy, efficiency and effectiveness

We considered how the Council :

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Childrens Services

Demand for adult and children's social care remains an on-going pressure across all authorities. The children's services Ofsted judgement changed from 'good' to 'requires improvement' in February 2022 highlighting key concerns in relation to:

- Multi-agency planning and strategy discussions
- Accuracy of data and assurance
- Pathway and support for care leavers up to the age of 24.

An improvement plan is in place and is being delivered through an Improvement board with an independent chair.

A Joint Targeted Area Inspection published in July 2023 shows positive progress is being made with more work still to do and highlights that recent changes in the senior leadership team have been a catalyst for improvements made to date.

The LGA Peer Challenge review also highlighted the rising demand in both Children's and Adult Social Care and the challenges that this presents and made a recommendation that the Council needs to maintain focus on these core services and the ongoing improvements in children's social care following the Ofsted judgement.

Childrens Services (Cont'd)

The work already underway detailed within the action plan is summarised below:

- Completing and implementing the next steps following a review of Safeguarding Adults and Safeguarding Children Boards to develop and reinstate BwD arrangements
- Implementing changes to the staffing structure following a review of Adults Safeguarding Practice in the context of CQC Inspection
- Developing Provider Services Improvement Plans
- Developing Strategic Commissioning Plans
- Complying with increasing and evolving statutory returns, including new performance reporting requirements
- Working on Place-based Integration and workforce transformation with health colleagues
- Continuation of a dedicated resource from the Service Design Team in both Adults and Children's areas working with the operational departments and with the users to co-design services and processes
- Maintaining sharing of data with corporate and political leadership – providing a better narrative of the demand for Children's and Adult Social Care.

We concur with the recommendations made within the Peer Challenge review that the Council will need to prioritise and focus on improvements in this area and therefore this should be an area for follow up in future VFM work.

Improving economy, efficiency and effectiveness

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We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Significant Partnerships

As reported in 2020/2021, the Council collaborates with a number of partnerships across Lancashire. Examples of significant partnerships are:

- Blackburn with Darwen Place Based Partnership

This is part of the Lancashire and South Cumbria Integrated Care Partnership (ICP) structure and includes the NHS, voluntary, community, faith and social enterprise (VCFSE) organisations and the wider community taking collective responsibility for providing better joined up care and support for residents and delivering the ambitions of the ICP.

- Pennine Lancashire Community Safety Partnership

This Partnership covers Blackburn with Darwen, Burnley, Rossendale and Hyndburn and works together to reduce crime and disorder. There is representation from the Council, Lancashire police, health, the probation service and Lancashire fire and rescue.

The Council is also working with Sport England, as the accountable body for Pennine Lancashire's Local Delivery Pilot 'Together an Active Future'. This involves the six Local Authority areas working together to test different approaches to understand better why people are less active in Blackburn with Darwen than nationally and to work with partners to explore ways to make being active easier.

These partnerships and their governance arrangements are captured through the annual and mid-year Significant Partnerships Register reviews. The reviews are undertaken by Chief Officers and a final report is submitted to Audit & Governance Committee along with a copy of the Register

The first of a series of partnership conferences was held in March 2023. The intention is to continue to build on the format and continue to provide a dedicated space for partners to engage directly with the Council and developed shared plans together.

An example of the work of significant partnerships being reviewed is the report to Health and Adult Social Care Scrutiny in August 2023 which provided:

- an overview of the NHS Lancashire and South Cumbria Integrated Care Board (ICB) and NHS Lancashire and South Cumbria Integrated Care Partnership (ICP)
- an update with regards to the work of the Blackburn with Darwen place-based partnership
- an overview of the aim of the ICB in relation to delegating authority to Lancashire and South Cumbria Places (which includes Blackburn with Darwen) and progress to date.

The report describes a number of immediate priorities and workstreams (Knowing our people, Delivering life course improvements, Delivering integrated services, Developing our partnership) that have been identified through discussions with all partners and the considerations given to priorities outlined by the Health and Wellbeing Board in their Joint Local Health and Wellbeing Strategy, and by the ICP in the Integrated Care Strategy and the ICB in the Joint Forward Plan.

Improving economy, efficiency and effectiveness

We considered how the Council

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Significant Partnerships (Cont'd)

Although not a significant partnership, an example of successful Partnership working across 2021/22 & 2022/23, is the development of the BWD Oral Health Improvement (OHI) Partnership Strategy 2021-2026. The Borough's OHI strategy was developed in partnership with other committed organisations and Council departments in 2020, following the Borough being identified as having the highest rate of tooth decay in five year olds in England for the second time in a decade.

The strategy was approved in December 2021 by the Council's Executive Board, Health & Wellbeing Board and the Children's Partnership Board.

An update report was produced for partners in March 23 on the progress made against 15 recommendations in the strategy and new priorities for 2023/24. Headlines from the report are that in the 2022 data released in March 2023, the borough was reporting a significantly reduced rate of Decayed, Missing, Filled Teeth (DMFT) in five year olds, at 40% (reduced from 51%) and now ranks the 5th highest in England.

A summary of what has worked well highlights a number of initiatives such as " Supervised Tooth Brushing" in nurseries and The GULP (Giving Up Loving Pop) Programme. In addition a new Lancashire & South Cumbria Oral Health Improvement (OHI) group was formed in 2022 following a long gap, since the previous Dental Public Health Consultant retired in 2021. This need was instigated by the Public Health Team in the Council as it was felt that there was a gap in support for teams working on OHI across the Lancashire and South Cumbria ICB footprint.

The OHI strategy group is chaired by the Deputy Leader of the Council and Executive Member for Children and Education and includes membership from across the spectrum ensuring leadership and governance is assured

Stakeholder Engagement

The Council engages and consults with key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings. An example of this is the adoption of the new corporate plan in December 2022. This was developed following a programme of comprehensive engagement with residents, staff, councillors and partners.

Engagement activity included sessions with young people, engagement with foster carers, vox pops in Blackburn and Darwen town centres, as well as activity facilitated by adult learning and Age UK. Staff were engaged through the organisational development programme.

The residents' survey ran over a period of four weeks from May to June 2022 utilising both a self-completion survey promoted via social media, in Council buildings, local media and a demographically weighted interviewer-led survey.

Improving economy, efficiency and effectiveness

We considered how the Council

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Procurement & Contract Monitoring

The Council has a Procurement Strategy (2022-2025) approved by the Executive Board in March 2022, which sets out the Council's approach to procurement activity. Contract Procurement Procedure Rules and use of the Chest e-tendering system ensure significant contracts are procured compliantly and transparency is demonstrated.

Contract Waivers

In 2022 the Contracts and Procurement Team introduced a digital system for submitting and recording waivers using Microsoft Forms, Lists and Power Automate. Waivers are submitted by completing a form on Microsoft Forms. An automated workflow records this on a central list and notifies the Head of Legal and Procurement who completes sections advising on legal implications and makes a recommendation. The waiver is then automatically sent to the relevant director to make a decision. Once they make the decision this is automatically recorded on the list. The officer who submitted the waiver is provided an automatic update email of progress at each stage.

The Audit and Governance Committee received a report on the volume of waivers for 2022/23 at its June 23 meeting. The narrative of the report summarised that 89 waivers were approved in 2022/23. This was stated as being higher than previous years which were typically around about 60 per year. The rationale for this was given as potentially being due to the new automated process being easier to use and track than the previous version so departments were more willing to use the process. It was also stated that it may be partially down to increased engagement with departments highlighting the need for compliance with Contract and Procurement Procedure Rules including the use of waivers where appropriate.

The Council recognised in this report that there was a risk that a culture of waivers being the easy option emerging and the Head of Legal and Procurement was to highlight to Extended Leadership the importance of the competitive process and advice on how to avoid the need for waivers in the future.

The report states that the average value of contract waived was high at £103k but this was impacted by having to extend a number of high value Public Health and Adult Social Care contracts whilst procurement exercises and reviews took place. The median value of contracts waived was £32k which is more typical of waivers received. The total value of waivers for the year was £12.01m

Improving economy, efficiency and effectiveness

We considered how the Council

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Procurement & Contract Monitoring

An appendix was presented with the report with extracts from charts and graphs provided, however on the themes and messaging were difficult to correlate to the narrative, to provide effective scrutiny, as some of the detail was not captured.

Key themes were however summarised within the narrative as follows:

• A number of high value contracts in Public Health and Adult Social Care needed additional time to allow procurements and reviews of arrangements to take place. This was in part impacted by capacity in the respective teams.

• On a number of occasions funding was bid for but then once confirmation of funding was received there was little time to conduct procurement exercises and deliver the project, necessitating a waiver. Departments have been advised that in future they should commence procurement in advance of confirmation so that they are ready to proceed when confirmation is received.

• Agency staffing has been the subject of a number of waivers with the contract with Reed not able to meet demand. The Procurement team will review this and look to procure an alternative.

At the time of the report, it was noted that there were 15 waivers for 2023/24 which was a slight reduction for the same period in 2022/23, We have not identified any further reporting to A & G Committee since July 2023.

The Council should continue to closely monitor the use of Waivers and consider more frequent reporting to Audit & Governance Committee with clearer presentation of the analysis of reasons for waiver etc, to enable better oversight and scrutiny of thedata. We have raised an improvement recommendation to this effect

Conclusion

Overall, we are satisfied that the Council has adequate arrangements for improving the way the Council delivers its services and delivering efficiencies and improving outcomes for service users in 2021/2022 and 2022/2023. We found no evidence of any significant weakness, however, we have raised improvement recommendations relating to enhancing the Corporate Performance report to provide an indicator/measure of assurance on the quality of the data, and to review and update the data quality policy. An improvement recommendation is also raised relating to contract procedures in respect of enhanced review and scrutiny of waivers.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 5	The Council should consider developing the format of the Corporate Performance report further, to provide an indicator/measure of assurance regarding the quality of the data underpinning the performance measures. A mechanism should be in place to prioritise deep-dives in these areas and/or undertake a rolling review of key performance measures, to feed outcomes into the performance report.
Audit year	2021/22 and 2022/23
Why/impact	Assurance over the data quality underpinning Corporate Performance measures/indicators is key to enabling robust overview and scrutiny to ensure informed decision making and provide a mechanism to identify early warning signs/ risks.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Summary findings	Performance measures have recently been revised to align with the new Corporate plan however the current performance report does not provide an indicator regarding the quality of the data underpinning these measures. Where issues are identified from external or internal reviews /audits, e.g. an issue was raised regarding data quality data capture in the Ofsted review of Children's services, there should be a mechanism to prioritise deep-dives in these areas and/or undertake a rolling review of key performance measures, to feed outcomes into the performance report.
Management Comments	The Council plans to agree a means of measuring data quality for each of the new KPIs and bringing that to Corporate Assurance Board, and probably scrutiny going forward. On that basis the Council will publish the new Data Quality Policy and once we've finalised the KPIs for 2024/25 and define how it can gain assurance on the accuracy of each one. Sitting behind each published KPI the Council will collect the raw data of the calculation and understand how that is derived from whatever system produces it. Following the ILACS Ofsted Inspection in 2022 significant work has been undertaken across Childrens Services to improve data quality and case recording. New live reporting suites have been developed to provide managers with insight reports, which highlight potential discrepancies in data accuracy. Work is taking place across a range of services, based on priority, including Adult Services to develop automated dashboards which are supporting performance and data quality.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 6	The Data Quality Policy (2019) should be reviewed and updated for continued relevance.
Audit year	2021/22 and 2022/23
Why/impact	It is important that guidance and policies remain accurate and relevant to reflect current operational processes in place and to ensure compliance with expected controls
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Summary findings	The Council has a data quality policy however this is dated 2019 and should therefore be reviewed and updated for continued relevance. We understand that this was being reviewed at the time of the audit.
Management Comments	The Council is currently reviewing its existing Data Quality Policy with a view to updating this to take into account the numerous performance metrics which are now autogenerated from back-office systems. The revised policy will support the development of a measure of Data Quality for the 2024/25 reporting year. To further support this area the Council is in the final stages of producing a Data Strategy which will drive data quality improvements across all system and data owners. The Council has recently reviewed its scrutiny processes and will make use of Scrutiny Committees and Internal Audit to facilitate reviews into service performance.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

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Improving economy, efficiency and effectiveness

Recommendation 7	The Council should continue to closely monitor the use of Waivers and consider more frequent reporting to Audit and Governance Committee with clearer presentation of the analysis of reasons for waiver etc, to enable better oversight and scrutiny of the data.
Audit year	2021/22 and 2022/23
Why/impact	The use of waivers should be kept to a minimum and only utilised in exceptional circumstances to ensure compliance with Contract Procedures. The Council has recognised there a continuing increase may indicate that there is a risk that a culture of waivers being the easy option may be emerging and has taken steps to mitigate this, however this should be closely monitored.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Summary findings	The Audit Committee received a report on the volume of waivers for 2022/23 at its June 23 meeting. The narrative of the report summarised that 89 waivers were approved in 2022/23 which is an increasing trajectory from previous years.
Management Comments	The Council recognises that the use of waivers to Contract Procedure Rules should be the exception and not the norm and has introduced reports to the Audit and Governance Committee so that it can provide effective oversight of this area. A report on Waivers will be submitted to each meeting.

The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Introduce a formal and more frequent review (at least mid-year) of in year MTFP assumptions with appropriate reporting to Members. Refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP.	Improvement	July 2023	'The Council approved a Financial Strategy at its meeting on 28th February 2022. This included details of the Medium Term Financial Plan 2022/25. A subsequent update of the Medium Term Financial Plan 2023/26, and the assumptions on which it is built, has been reported to the Executive Board in June 2022. A further update was provided in October 2022 and at Finance Council in February 2023.	Yes	None
2	The Council should continue to monitor the level of its reserves to ensure it remains satisfied that they are at an appropriate level.	Improvement	July 2023	'The Council maintains its reserves under regular review. The management of reserves is undertaken in compliance with CIPFA guidance on Local Authority Reserves. Annually, as required by regulations, the Director of Finance (as s151 Officer) undertakes a review of the adequacy of reserves and balances. The outcome of this review is report to the meeting of Council as part of the Statement on the Robust of Estimates and Adequacy of Reserves. This is so that Councillors can consider this review in the context of the budget being set. Details of the reserves are report to the Executive Board on a quarterly basis as part of the Corporate Budget Monitoring report. A further review of reserves is undertaken as part of the process of closing the Council's accounts and producing the Statement of Accounts. This is to ensure that the reserves remain adequate in the context of decision taken in setting the budget.	Yes	None
3	Provide a clear distinction between mandatory and discretionary spending in the budgetary information to members and ensure it is published on the website.	Improvement	July 2023	'The Council are concerned with obtaining value for money from all activities necessary to achieve its corporate objectives. This will include both mandatory and discretionary activities. In this respect, a simple analysis of mandatory and discretionary spending is not considered that useful. Details of the Council's budgets, by Portfolio and by cost centre within each Portfolio, has been produced and this has been published in the form of a Budget Book on the Council's website.	Yes	None

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Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	The Council should identify efficiency initiatives that are at a relatively detailed level to help bridge the budget gap.	Improvement	July 2023	The Council's ability to deliver 95% of efficiency savings demonstrates success in helping bridge the budget gap.	Yes	No
5	The Council should satisfy itself that its MRP policy results in a prudent MRP charge, in particular that the calculation of MRP appropriately reflects the nature of and period of expected benefits of capital expenditure and appropriate annuity rates are applied.	Improvement	July 2023	The review of MRP was conducted and was reported to the Executive Board in September 2022.	Yes	No
6	Ensure that the anti-fraud and whistleblowing policies are kept updated.	Improvement recommendation	July 2023	The Counter Fraud Policy Statement and Strategy 2022-25 was approved by Executive member for Finance & Governance in June 2022 The Whistleblowing policy statement is on the Council's website and was updated in May 2022	Yes	No

Opinion on the financial statements for 2021/22

Audit opinion on the financial statements

We have substantially completed our audit of the financial statements for 2021-22.

Audit Findings Report

We highlight the key findings from our audit of your financial statements within our Audit Findings Report presented to the Audit and Governance Committee on the 18 March 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Preparation of the accounts

The Council provided the 2021/22 draft accounts on the 29th September 2022.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

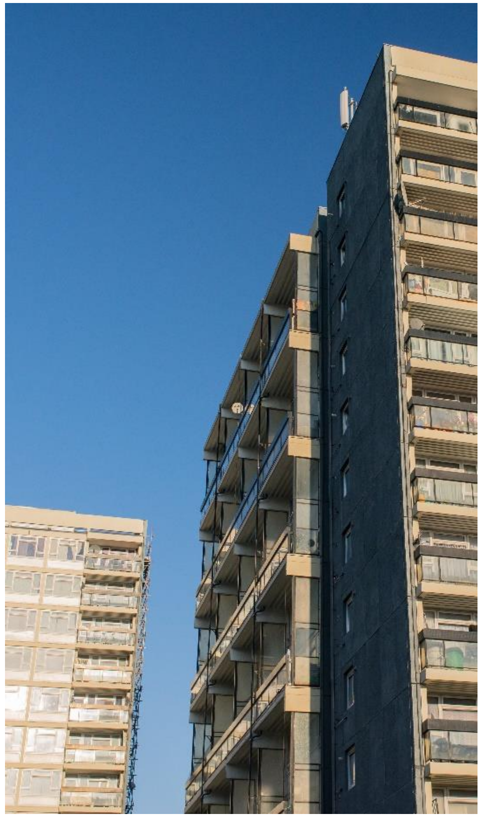
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Strategic Director of Finance and Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director of Finance and Resources is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Strategic Director of Finance and Resources is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Pg 21
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pg 11 Pg 22, 23 Pg 32-34

Audit Findings for Blackburn with Darwen Borough Council

Year ended 31 March 2022

13 March 2024

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and Audit & Governance Committee.

Name : John Farrar
For Grant Thornton UK LLP
Date : 13 March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Blackburn with Darwen Borough Council and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site/remotely during December 22-February 24. Our findings are summarised on pages 5 to 20. Management has made a small number of amendments to the financial statements. These impact the Balance Sheet and Comprehensive Income and Expenditure Statement. There are also three unadjusted misstatements which management chose not to amend. The amendments and unadjusted misstatements are summarised in Appendix C.

We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete, subject to the following outstanding matter;

- receipt of management representation letter
- finalising our review of the adjustments to the accounts in respect of property, plant and equipment .

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have completed our VFM work and our detailed commentary is set out in a separate Auditor's Annual Report. We are satisfied that the Council have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties
Significant Matters	We have encountered several difficulties in undertaking the audit of the council's financial statements, some delays were as a result of working practices arising from the Covid pandemic, as well as the national issue around infrastructure accounting. Additionally, difficulties were also identified with regards to assets valued based on depreciation replacement cost. Further detail is provided on pages 9 and 11. We did not encounter any significant difficulties or identify any significant matters relating to other aspects of our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of materiality considering the Council's gross revenue expenditure; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit and we anticipate issuing an unqualified audit opinion on the financial statements, as detailed in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table our determination of materiality for Blackburn with Darwen Borough Council.

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	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	7,576,000	Financial performance, focussing on expenditure.
Performance materiality	5,303,000	Quality of working papers in prior year and client's response to audit processes.
Trivial matters	379,000	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	20,000	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • Post year-end journals • Material journals across the year • Year-end journals • Journals posted by senior management • Off ledger adjustments • Self authorised journals Application of these routines and supplementary procedures identified a total sample of 44 journals to test. A sample of journals was selected based on consideration of specific risk-based criteria. Testing has not identified any instances of management override and that journal entries are consistent with expectations. As part of our review we did identified internal control deficiencies relating to: • self-authorisation of recode journals; • an instance of a journal approved by an officer not on the list of approved personnel; and • journals being authorised by someone less senior than the poster. In all these instances we are satisfied that the journals in question were appropriate and reasonable. A small number of recommendations have been made on page 27. We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention. Our audit work has not identified any evidence of management over-ride of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom, we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.	Revenue As detailed in our Audit Plan, we do not consider this to be a significant risk for the Council. ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Blackburn with Darwen, mean that all forms of fraud are seen as unacceptable. Expenditure Our Audit Plan highlighted that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. Our work has not identified any matters that would lead to a change in our risk assessment.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£230.6m) in the Council's 2020/21 financial statements, and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets), at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • engaged an auditor's expert to challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value at year end. **Findings** We engaged the use of an auditor's expert (Montagu Evans) to support the audit team regarding the valuations prepared by the council. Our auditor expert raised some concerns regarding the valuation methodology used by the council's valuers specifically in relation to Depreciated Replacement Cost (DRC) (specialised) assets. As aresult the Council undertook an exercise to get all DRC assets revalued by an external valuer. This resulted in an initial assessment that the carrying value of all DRC assets as at 31/3/22 was understated by £19.2m. Upon further challenge from ourselves and the auditors expert, it was agreed that the external valuer had included certain costs which were not in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22. As a result of this further challenge the carrying value of the DRC assets were reduced by £8.6m, leaving an overall net increase in DRC asset carrying amounts at 31/3/22 at £10.6.m. An audit adjustment has been made to the accounts, as outlined on page 30, to reflect this increase. We have made several recommendations on page 26 in respect of the Council's valuation of its Property, Plant and Equipment assets.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.
The pension fund net liability is considered a significant estimate due to the size of the numbers involved £243.2m (31/3/22) in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuations;
- assessed the accuracy and completeness of the information provided by the Council to the actuaries;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.
- obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

The Council is a scheduled/admitted body to Lancashire County Pension Fund. The latest triennial valuation for Lancashire County Pension Fund has recently been published, after the Council had prepared its draft financial statements. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.

As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures as at 31st March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's pension fund liability has decreased by £14.491m. Our work has not identified any issues in respect of this adjustment.

Additional audit work has been required in respect of this issue, resulting in an increase to the audit fee (see Appendix D). This included obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements.

Our work concluded that all assumptions are in line with expectations, and we have not identified any issues with the estimation process. We are satisfied that the pension liability agrees to the revised actuarial report.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £231.2m	The Council request their internal valuer to revalue other land and building on a 5-year cycle, using depreciated replacement cost (DRC) for specialised assets such as schools, libraries, galleries and leisure centres. The remainder of operational other land and buildings are required to be revalued at existing use value (EUV). In 2021/22 the Council revalued £75.9m of other land and buildings. Management have also considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31/3/22. The total year end valuation of land and buildings was £231.2m, a net increase of £0.6m from 2020/21 (£230.6m).	The Council's accounting policy on valuation of land and buildings is included in Note 13 to the financial statements. The values provided by the valuer have been used to inform the measurement of property assets at valuation in the financial statements. In understanding how management has calculated the valuations we have: • assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate; • ensured the underlying information and sensitivities used to determine the estimatewere considered to be complete and accurate; • confirmed the valuer has prepared their valuations in accordance with the RICS Valuation– Global Standards using the information that was available to them at the valuation date in deriving their estimates; • reviewed the level of disclosure in the financial statements to confirm it is appropriate; and • engaged an auditor's expert to challenge the information and assumptions provided by the valuer. Our audit of the Council's valuations highlighted a number of issues, the key ones being: • management did not prepare a formal assessment for assets not revalued in 2021/22; • the valuers report doesn't clearly highlight the total value of assets valued; • unusual rounding adjustments had been applied by the valuer; • specific valuer judgements were not always fully documented; • our auditor expert raised a number of concerns whether the councils' valuer fully understood the principles of DRC valuations; and • the level of detail contained within the asset register was not always at a detailed level that easily allowed individual assets to be tested for existence. As highlighted on page 9 as a result of the observations and concerns raised the Council engaged a separate external valuer to revalue all DRC assets. This resulted in the value of DRC land and building assets as at 31/3/22 increasing by £10.6m, with an audit adjustment being made, as outlined on page 30.	

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £243.2m	The Council's net pension liability at 31 March 2022 is £243.2m (PY £325.2m) comprising the Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £81.9m net actuarial gain during 2021/22.	We have: • updated our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert).	● Light purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.80%	2.70% - 2.80%	●
Pension increase rate	3.30%	3.00% - 3.50%	●
Salary growth	4.80%	4.25% - 5.00%	●
Life expectancy – Males currently aged 45 / 65	Male Pensioner 21.4 years Male non pensioner 22.6 years	Male Pensioner 20.7 - 23.3 years Male non pensioner 22.2 - 24.8 years	●
Life expectancy – Females currently aged 45 / 65	Female Pensioner 23.7 years Female non pensioner 25.5 years	Female Pensioner 23.8 - 25.5 years Female non pensioner 25.7 - 27.5 years	●

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments
Net pension liability – £243.2m	The Council's net pension liability at 31 March 2022 is £243.2m (PY £325.2m) comprising the Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £81.9m net actuarial gain during 2021/22.	The Council is a member of the Lancashire County Pension Fund. The latest triennial valuation for Lancashire County Pension Fund has recently been published, after the statements were prepared. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures as at 31st March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's pension fund liability has decreased by £14.491m. Further detail of the amendment is shown on page 30.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Covid-19 Grants Income Recognition and Presentation – During 2021/22 due to the Covid-19 pandemic there was been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non-discretionary schemes.	Management take into account three main considerations in accounting for grants: • whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income. • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes - are these judgements reasonable and sufficiently disclosed to meet the requirements of IAS 1:125.	We have tested a sample of grants received to confirm the following: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all; • assessed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant is recognised as a receipt in advance or income; • assessed the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; • reviewed the adequacy of disclosure of judgement in the financial statements. Within Note 7 we identified that a number of grants had been incorrectly classified as Covid-related grants rather than other government grants. Additionally, the note included fees and charges, which were wrongly included as contributions. This also impacts on Note 2, which analyses income between fees and charges and grants and contributions. The Council has amended the notes for this; neither of these incorrect classifications impact on the Council's reported revenue outturn position. Page 36-37 provides further details. Our audit testing has not identified any further issues.	● Light purple

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Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentiallymaterially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptionswe consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) Local authorities are required to charge 'Minimum Revenue Provision' to their revenue account in each financial year because of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The regulations give local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance issued by the government from time to time, the current guidance was issued in 2018 and was applicable from 1 April 2019. All capital expenditure must be financed either from capital receipts, capital grants or other capital contributions or eventually from revenue income. The broad aim of MRP is to require local authorities to put aside revenue over time to cover their 'Capital Financing Requirement' (CFR). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits. Government guidance includes four options for making prudent provision, but this does not rule out a local authority from using an alternative method, should it decide that is more appropriate. A local authority can change the method(s) that it uses to calculate MRP at any time and where it changes the method(s) that it uses it should explain why the change will better allow it to make prudent provision.	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £6,271k, a net increase/decrease of £529k from 2020/21.	As part of our work on MRP we have: • assessed whether the MRP has been calculated in line with the statutory guidance • reviewed whether the Council's policy on MRP complies with statutory guidance. • assessed the reasonableness of the increase/decrease in MRP charge We have reviewed the MRP and are satisfied that it is fairly stated and calculated in line with relevant regulations.	● Light purple

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Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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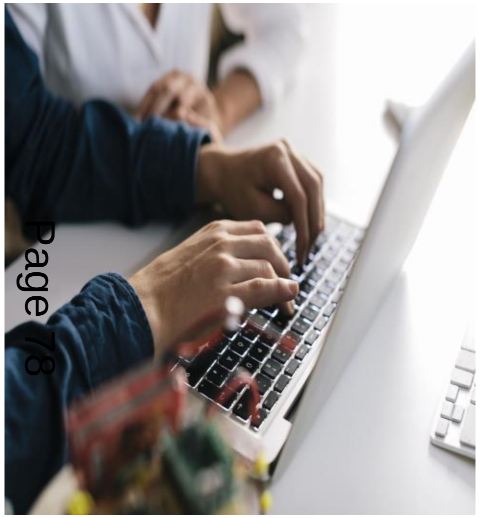
Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank and investment bodies as well as long term debtors. This permission has now been granted and requests sent. There were delays in obtaining the necessary confirmations from some schools but these have now been obtained. All other relevant confirmations have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

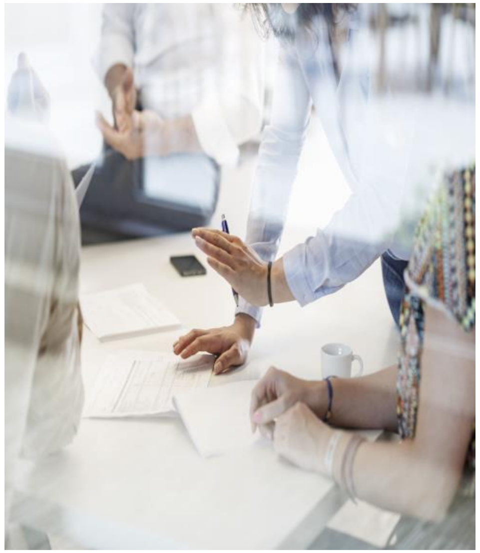
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E.
Matters on which we report by exception	We are required to report on several matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.



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2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the Council does not exceed the £2bn threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit in our audit opinion.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in a separate Auditors Annual Report. We are satisfied that the Council have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We have made one key recommendations around the need for the Council to improve the procedures for valuing its land and building assets to ensure that the valuations are undertaken in compliance with recognised RICS guidance and align with the CIPFA Accounting Code, alongside an effective quality review process to ensure draft financial statements are in accordance with accounting standards, free from material error in order to allow for timely publication of audited financial statements.

We have also identified a small number of improvement recommendations, which management has accepted and will implement.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 (grantthornton.co.uk)]

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim (2021/22)	15,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,400 in comparison to the total fee for the audit of £215,306 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return (2021/22)	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £215,206 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Our audit of the Council's Property, Plant and Equipment assets highlighted a number of issues related to its in year revalued assets. The key issues being: • management did not prepare a formal assessment for assets not revalued in 2021/22 financial year; • unusual rounding adjustments had been applied by the valuer; • specific valuer judgements were not always fully documented in the valuer's valuation calculations; • our auditor expert raised concerns whether the councils' valuers fully understood the principles of DRC valuations based on the review of the assumptions and methodology information provided by the council's valuers; and • the level of detail contained within the asset register was not always at a detailed level that allowed infrastructure assets to be tested for existence. We have considered the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 Statutory Instrument, which does not require a prior period adjustment for historic opening balance issues for infrastructure assets, and this alongside our other audit procedures undertaken during the year on in year infrastructure movements, has led us to conclude the likelihood of material mis-statement is remote as infrastructure assets are deemed to be relatively low risk in terms of existence, as the nature of the expenditure is likely to be roads, bridges etc means that these cannot be misappropriated. • A number of these issues have been re-occurring themes over the past few years, which has resulted in additional audit work, additional audit fees and the need to engage a valuation expert.	There is a need to review the process which the Council undertakes to obtain its valuations, to ensure that valuations and associated assumptions used are fully documented, supported by audit evidence and in line with RICS guidance. Review the future level of asset information contained within the Council's fixed asset register to ensure testing of individual assets, including infrastructure assets can be undertaken for existence. **Management response** The Council has engaged an External Valuer to provide valuations for land and buildings under a contract that includes a requirement that any such valuations comply with recognised RICS guidance and CIPFA Accounting Code of Practice. The Council's Property Team will remain the Client for the delivery of this Service, providing the quality review process as required.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Our work on journals identified internal control deficiencies relating to: • self-authorisation of recode journals; • an instance of a journal approved by an officer not on the list of approved personnel; and • journals being authorised by someone less senior than the poster.	Review existing journal procedures to bring them in line with recommended practice namely: • posting and authorisation of journals to be performed by separate members of staff and by staff at an appropriate level; • only authorised staff to approve journals. **Management response** The Council will undertake a review of existing journal procedures to ensure that journals are appropriately reviewed and authorised only by personnel with the appropriate authority.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Blackburn with Darwen Council's 2020/21 financial statements, which resulted in 7 recommendations being reported in our 2020/21 Audit Findings report.

Issue and risk previously communicated	Update on actions taken to address the issue
Testing of the Council's Property, Plant and Equipment assets in the prior year highlighted a number of issues related to its in year revalued assets. The key issues being: • The valuer's report should have stated the overall value of assets revalued in the year. • Latest BCIS rates at the date of valuation should be used rather than using historical rates and uplifting for inflation. • Unusual rounding adjustments should not be made on future valuations. • Assumptions have been made regarding leased assets at a peppercorn rate which were incorrect, the future use of these assets should be confirmed at year end to arrive at correct valuation approach. • Where asset specific valuer judgements are made, these should be better documented in the valuation calculations with a clear audit trail supporting the valuation.	A number of the issues raised last year are still relevant for the 2021/22 audit. Whilst we acknowledge that our 20.21 audit findings report was finalised in July 23, we would still expect these issues to be communicated to the valuer for consideration. Further recommendations have been made this year on page 26.
Our work on journals in the prior year identified an issue where a member of the accountancy staff was able to authorise their own journals. As soon as this was identified by the Council, prompt action was taken to reverse the journal and for it to be re-approved. Restricted access rights were immediately put in place and checks performed to ensure there were no other cases. Our testing confirmed that for the journal in question it was appropriate and not unusual.	This recommendation was implemented, however, in 2021/22 we have identified that recode journals are being self-authorised, and a recommendation has been made, see page 27.

B. Follow up of prior year recommendations (Continued)

Issue and risk previously communicated	Update on actions taken to address the issue
Our review of the MRP charge in the prior year highlighted that the Council had changed the basis of its calculation for 2020/21 and for forthcoming years. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 councils are required to make a prudent provision each year for financing their capital investment	Management have taken action to ensure a prudent provision is made. Specifically, the annuity rate used has been amended in the calculation of the MRP charge for capital expenditure financed by debt arising up to 2007/08 and for all new Government-supported borrowing arising since 2007/08.
As part of the prior year work reviewing the Council's cash and cash equivalents balance we requested confirmations from Lloyds Banks of the balances. Difficulties were encountered in obtaining confirmations for a number of schools as the bank did not recognise the signatures contained on the school mandates granting us access to this information. Our review of bank reconciliations for a sample of the Council's schools identified some historic balances which had been brought forward which the Council has agreed to write off. Historic balances should not be routinely carried forward but investigated and considered for possible write off.	No issues identified during 2021/22 in relation to requested confirmations. The Council performed a review of the school bank reconciliations and have investigated a number of the accounts with higher value variances and corrected these where possible.
There is a lack of detailed information contained within the Council's fixed asset register in respect of infrastructure assets.	Following the review of accounting for infrastructure assets undertaken by the CIPFA Task and Finish Group, the Council has reviewed the information held on infrastructure assets in the asset register and included assets under appropriate subcategories. Due to the complexity and volume of capital works undertaken on infrastructure assets the Council believes it is not practical to include such assets in the asset register at a road by road level.
The Council's accounting policy is to revalue its property plant and equipment assets over a 5 year cycle. Our audit work identified that Turton Tower (£416,000) had not been valued within this timeframe. The Council planned to have the asset valued in 2021/22.	Turton Tower has been revalued in 2021/22.
The Council has chosen to make a prior period adjustment of £0.073m between Heritage Assets and Property, Plant and Equipment. The Council has chosen to correct an immaterial prior period error by restating the previously reported results rather than by correcting it in the current period, as this is not required and is unnecessary under IAS 8.	No similar issues are identified in 2021/22.

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C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Valuation of DRC land and build assets The carrying value of DRC land and buildings assets has increased as a results of challenge from our external valuation expert.	Net Cost of Services +6,751 (Surplus)/deficit on revaluation of non-current assets -17,306	Property Plant and Equipment +10,555 Unusable Reserves +10,555	+10,555
Reclassification of assets from Assets under Construction (AuC) to Intangible assets A number of IT software/system assets have been reclassified as intangible assets instead of Assets under Construction, in compliance with the CIPFA code.	Nil	Assets Under Construction -1,347 Intangible assets +1,347	Nil
Infrastructure asset incorrectly categorised as Vehicles, plant & equipment As part of our testing we identified 1 asset that had been incorrectly classified as VPE rather than an infrastructure asset.	Nil	Infrastructure assets +529 Vehicles, Plant & equipment -529	Nil
Pension liability decrease due to the rerun of the revised actuary report The latest full actuarial valuation was completed post year end. This valuation, which is at 31 March 2022, provides updated information on the net pension liability. Management obtained a revised report from their actuary, detailing the impact this updated information had on its net pension liability disclosures as at 31st March 2022. The revised report showed that the Council's pension fund liability had decreased by £14.491m	Re-measurement of the net defined benefit pension liability + 14,491 Total comprehensive income and expenditure +14,491	Other Long Term Liabilities -14,491 Pensions Reserve -14,491	-14,491

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements (Continued)

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Accounting the Shopping Centre Mall Finance Lease The Council grants a lease to use the Shopping Centre Mall. Audit work identified that the lease had been incorrectly accounted for. The Council had recognised the value of the debtor and deferred capital receipt equal to the present value of the forecasted rental amounts to be received under the lease agreement. Upon detailed review the rental payments should be classified as contingent rentals as they are dependent on factors other than the passage of time, and as such should not be included in the calculation of the finance lease debtor as they do not make up minimum lease payments. The contingent rentals should be recognised in the Comprehensive Income and Expenditure Statement in the year they are received. In accordance with IAS 17 the minimum lease payments for the lease are nil, and as such the net investment and therefore the finance lease debtor are also nil. The Council has made prior period adjustments to amend the value of the finance lease debtor and corresponding deferred capital receipt to reflect this. This issue was highlighted as part of 2020/21 final accounts audit, however, as the 2021/22 statements had been prepared ahead of the 2020/21 opinion being issued, it had not been corrected in the 2021/22 statements.	Finance & Governance net expenditure -1,447 Finance and investment income +1,445 (Same adjustment made as a prior period adjustment as at 31/3/22 and 1/4/20)	Long term debtor - 26,271 Unusable Reserves - 26,271 (26,273 treated as prior period adjustment as at 31/3/21) (26,275 treated as prior period adjustment as at 1/4/20)	nil

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements (Continued)

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Error identified in principal/agency classification in relation to Covid grants			
A number of grants had been incorrectly treated as creditors, due to errors made regarding the agency/principal classification. Therefore 1,421k of grants had been incorrectly included within short term creditors rather than included within the Comprehensive Income and Expenditure Statement.	Other Services expenditure +781 Grant Income +2,202	Short term creditors -1,421	-1,421

C. Audit Adjustments

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Pensions – actuarial IAS 19 asset valuations			
The Pension Fund's auditor's has highlighted that the Lancashire Pension Fund investments were understated in total by £33.7m. This is principally a function of the timing of the production of financial. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash which are then assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the audit date. We have calculated the potential impact of this on the Council, which is estimated to be £2.934m based on the Council's share in the net assets of the Pension Fund of 8.15% (based on 31 March 2022 valuation). The overall impact would be on the actuarial gain/loss on the pension asset/liability going through the Comprehensive Income and Expenditure Statement and a compensating adjustment in the Statement of Financial Position.	+2,934	Non Current Liabilities +2,934	Not material
Valuation of Land and Building Assets			
As a result of our review of the valuation of land and building assets, we identified a small number of issues which the Council chose not to amend for. The net impact of these would have been an increase in the year end land and building valuation by £770,000.	Nil	Property Plant & Equipment +770 Revaluation reserve +770	Not Material

C. Audit Adjustments

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Reclassification of assets from Assets under Construction to Intangible assets A number of IT software/system assets have been reclassified as intangible assets instead of Assets under Construction, in compliance with the CIPFA code.	Nil	Assets Under Construction -470 Intangible assets +470	Nil	Not Material

D. Fees

We confirm below our final fees charged for the audit. The fees have been discussed with management and are subject to PSAA approval.

	2021/22
2021/22 Scale fee published by PSAA	£79,186
Enhanced audit procedures for Pensions	£3,000
Enhanced audit procedures for Property, Plant and Equipment	£3,000
Raising the bar/ regulatory factors/new standards and developments	£4,000
Recurring scale fee and variations	**£89,186**
Additional work on Value for Money (VfM) under the new NAO Code	£26,000
Increased audit requirements of revised ISA's	£17,000
Additional work on Infrastructure Assets	£4,000
Engaging the work of an auditor's expert	£10,500
Reduction for on-site working	£(5,000)
Additional fee variations arising from issues identified during the audit	
Additional input required from auditor's valuation expert	£9,120
Response to the LGPS triennial valuation and impact on net pension liability	£6,000
Additional work to support review of land and buildings valuation	£35,000
Additional work relating infrastructure existence work	£4,000
Additional work relating to post balance sheet events assurance and elongated audit timetable	£6,000
Additional work relating to checking of revised accounts re: impact of 20/21 amendments	£11,000
Additional work associated with grant income testing	£2,500
Total 2021-22 audit fee proposed (excluding VAT)	**£215,306**

D. Fees

We confirm below our final fees charged for provision of non-audit services.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Housing Benefit Subsidy Return (2021/22)	£15,400	£15,400
Audit Related Services – Certification of Teachers Pension Return (2021/22)	£7,500	£7,500
2021/22 Total non-audit fees (excluding VAT)	**£22,900**	**£22,900**

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Blackburn with Darwen Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Blackburn with Darwen Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the

E. Audit opinion

reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the

E. Audit opinion

course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:

the identification, evaluation and compliance with laws and regulations;

E. Audit opinion

reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the

E. Audit opinion

course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United

E. Audit opinion

Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

• We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and transactions outside the course of business.

• Our audit procedures involved:

evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud.

- journal entry testing, with a focus on manual journals posted during the year with high risk characteristics.

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations.

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.

• Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

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E. Audit opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:

 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on XX March 2024 we identified a significant weakness in the Authority's arrangements for governance. Our audit of the Authority's financial statements for the year ended 31 March 2022 identified several issues with how the Authority valued its land and buildings. This resulted in:

- lengthy delays to the audit while these issues were resolved, and
- material amendments being made to the Authority's financial statements.

We recommended that the Authority:

- improve its procedures for valuing its land and buildings to ensure compliance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, and
- put effective quality review processes in place to ensure draft financial statements are in accordance with accounting requirements and free from material error in order to allow for timely publication of audited financial statements.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

E. Audit opinion

- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Blackburn with Darwen Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Name John Farrar, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

grantthornton.co.uk

REPORT TO :	Audit and Governance Committee
LEAD OFFICER:	Strategic Director Finance and Resources
DATE:	18th March 2024

WARD/S AFFECTED: All

Approval of the Statement of Accounts 2021/22

1. PURPOSE

The report outlines the issues arising from the external audit of the Council's Statement of Accounts for 2021/22 and requests the Audit and Governance Committee to agree arrangements for the approval of the audited accounts prior to their publication as required by the Accounts and Audit Regulations 2015.

2. RECOMMENDATIONS

The Audit and Governance Committee is recommended to:-

1. Note the outcome of the audit of the Council's financial statements as presented by Grant Thornton in their Audit Findings Report for 2021/22 (which is elsewhere on the Agenda for this meeting);

2. Review the Statement of Accounts for 2021/22 as presented with this Agenda and, subject to any minor amendments arising from the outstanding external audit work, give approval to the Statement of Accounts as presented at Appendix A;

3. Subject to (2) above, agree that the Chairman of the Committee sign the Statement of Accounts in consultation with the Director of Finance, on conclusion of the audit;

4. Note the draft letter of representation to the External Auditors which is provided at Appendix B, with the final version to be signed by the Director of Finance and the Chairman of the Audit and Governance Committee at the date of issue of the audit opinion.

3. BACKGROUND

The annual Statement of Accounts is a statutory summary of the Council's financial affairs for the financial year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. It provides information on the Council's overall financial position at the Balance Sheet date and to demonstrate its stewardship of public money for the year.

The Audit and Governance Committee has received regular reports providing an update on progress with preparation and audit of the Statement of Accounts for 2021/22.

Ordinarily, the draft Statement of Account must be produced and authorised for issue by the Council's Strategic Director of Finance and Resources by 31st May each year. However, due to the impact of the Covid-19 Pandemic, revised regulations were issued to extend the statutory audit deadlines for 2021/22 for all local authorities.

The impact for the Council was as follows:

- the publication date for final audited accounts moved from 31st July 2022 to 30th September 2022;
- the requirement for the public inspection period to include the first 10 working days of June was removed. Instead, the public inspection period had to commence on or before the first working day of August 2022.
- this meant that draft unaudited accounts had to be issued for inspection by 31st July 2022 at the latest;

The draft Statement of Accounts for 2021/22 was certified by the Strategic Director of Finance and Resources on 1st September 2022 and subsequently published on the Council's website for inspection. The delay in production of the Accounts stemmed primarily from the impact of Covid-19 but also from similar delays in both the preparation and audit of the Statement of Accounts for 2020/21.

Following the conclusion of the inspection period, the audit of the draft Accounts commenced. Aside from the delays caused by Covid-19, the audit of the Accounts has been prolonged for a range of reasons associated with the continuing impact of Covid-19, a national issue to do with accounting for infrastructure assets and various issues with the Council's valuation of land and building assets (arising out of much more stringent and in-depth audit requirements). These matters are referred to in more detail the Audit Findings Report provided by Grant Thornton which is elsewhere on the Agenda for this meeting.

It should be stressed that the delay in the publication of audited Accounts is not unique to Blackburn with Darwen Council; indeed, it is matter that is affecting the majority of Councils in England hence the Government's current proposals to legislate for a backstop date whereby External Auditors will be required to issue an opinion (unqualified or qualified) – or disclaim doing so – on all outstanding Statement of Accounts up to and including 2022/23.

To comply with the Accounts and Audit Regulations 2015, a notice has been published on the Council's website stating that the Statement of Accounts could not be published and confirming that the Accounts will be published as soon as reasonably practicable after the receipt of a report from the External Auditor, which contains their final findings from their audit, and the issue of their audit opinion.

4. KEY COMPONENTS OF THE 2021/22 STATEMENT OF ACCOUNTS

Local authority Statement of Accounts are complex due to the need to produce financial statements that address both an accounting framework and a legislative framework. This 'dual accounting' approach requires some items to be accounted for in ways that do not reflect how the Council manages its budget.

Narrative Report

This introduction to the Statement of Accounts provides information about Blackburn with Darwen, including its demographic profile, the Council's political and management structure, its main objectives and strategies and the principal risks that it faces. It provides a summary of the financial position as at 31st March 2022 and how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies. It also includes a commentary on the key issues affecting the Council over the financial year and the impact on its accounts, together with a summary of the content of the accounts.

The Core Financial Statements

The Statement of Accounts consist of the following core financial statements supported by explanatory notes and the accounting policies applied by the Council in preparing and presenting those financial statements.

Comprehensive Income and Expenditure Statement (page 26) - this statement shows the accounting cost in the year of providing services in accordance with the accounting framework provided by international reporting standards, rather than the legislative framework. The Council raises local taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis (Note 1 – pages 30-32).

An analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is presented to reflect how the Council is structured and how it monitors and manages its financial performance i.e. by reference to portfolio controllable budgets.

Movement in Reserves Statement (page 27) - this statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" and "unusable reserves". Also, how those movements are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The *Net (increase) / decrease* line shows the true statutory General Fund Balance movements in the year following those adjustments.

The financial performance of the Council is monitored during the year with budget variations being reported as soon as they are identified and the predicted level of reserves adjusted accordingly. The accounting position for the year, as reported in the Comprehensive Income and Expenditure Statement, is a deficit on the provision of services of £16,805 million. After making the required adjustments to reflect the legislative framework, the Movement in Reserve Statement shows an increase in General Fund reserves of £9.206 million in 2021/22, compared to a budgeted contribution to reserves of £0.130 million when the annual budget was approved in February 2021. This final revenue outturn position was reported to the Executive Board on 14th July 2022.

As detailed within the disclosure notes to the accounts, this significant increase in the level of reserves is partially due to the receipt of specific Covid-related funding received from central government which is to be utilised over the 2-year period through to March 2022. In addition, reserves were increased by an overall underspend across Council services, due in part to reduced demand for some services during the year, service closures with staff redeployed to support Covid-response efforts, accounting for funding received in response to the pandemic, offset by significant loss of income from fees and charges.

Further details of the accounting adjustments made in accordance with proper accounting practice are in Note 3 (pages 34-35).

Balance Sheet (page 28) - this shows the value as of 31st March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council, which are reported in two categories:

- **Usable reserves** - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable reserves** - these are not able to be used to provide services and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line *Adjustments between accounting basis and funding basis under regulations*.

The total amount of General Fund revenue (Usable) reserves held by the Council on 31st March 2022 was £91.821 million.

Usable Reserves	**31st March 2022 £000**
Earmarked Reserves:	
- set aside for discretionary purposes	57,841
- held in respect of schools	12,386
- held in respect of joint arrangements	377
	70,604
Unallocated Reserves	7,718
General Fund Reserves	**78,322**
Capital Receipts Reserve	164
Capital Grants Unapplied	13,335
Total Usable Reserves	**91,821**

Details of the movements in reserves are shown in Note 29 to the financial statements (pages 65-69).

The *Other Long Term Liabilities* line of the Balance Sheet includes the long-term element of the liability in relation to the PFI contract for BSF Schools (£57.527 million) and the Local Government Pension Scheme liability of £228.748 million. The pension scheme liability represents the underlying commitments that the Council has in the long term to pay retirement benefits, however, the arrangement for funding means that the financial position of the Council remains healthy with the deficit being made good by increased contributions over the remaining work life of employees as determined by the scheme actuary.

Cash Flow Statement (page 29) - this statement shows the changes in cash and cash equivalents of the Council during the reporting period. It analyses cash flows into those generated by operating activities, investing activities and financing activities. The detail of each category is contained within Note 31 (pages 77-78).

Notes to the Financial Statements (pages 30-82) – the order of the disclosure notes aims to provide a narrative that flows logically, with the initial notes providing information to support the Comprehensive Income and Expenditure Statement and an explanation of how that differs from the portfolio budget monitoring position presented throughout the financial year. Notes 13-31 provide further analysis of the amounts included in the Balance Sheet and Cash Flow Statement, and additional disclosures required by the accounting Code follow at the end of the section. An index of the notes is included at page 2.

Collection Fund (pages 83-85)

This is a supplementary statement which reflects the statutory obligation for billing authorities to maintain a separate fund for transactions in relation to the collection of council tax and non-domestic rates, and the distribution of those sums to the Council and other parties (i.e. central government, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority). The Collection Fund Income and Expenditure Statement reports a surplus for the year in respect of council tax and a deficit for the year in respect of non-domestic rates. The Fund balance carried forward in respect of both council tax and non-domestic rates will be considered when setting future years' budgets.

Accounting Policies (pages 86-106)
In addition to a summary of the main accounting policies applied by the Council in preparing and presenting the statement of accounts, this section includes details of:

- accounting standards issued but not yet adopted.
- critical judgements made in applying the accounting policies.
- areas where a degree of uncertainty exists due to the use of estimated figures.

5. KEY ISSUES

Audit Findings Report

The Audit Findings Report issued by the Council's External Auditor Grant Thornton is provided elsewhere on the Agenda for this meeting. The report highlights the key findings arising from the audit of the Statement of Accounts for 2021/22 so that those charged with governance (i.e. the Audit and Governance Committee) may consider the issues prior to their approval of the Statement of Accounts.

The External Audit Team have identified several material misstatements relating to the valuation of land and building assets and the pension liability which have been adjusted in the Statement of Accounts. These are set out on Page 30/32 of the Audit Findings Report. A further three misstatements have been identified but not adjusted in the Statement of Accounts as they are not considered material.

It should be stressed that the adjustments identified by the External Auditors have no bearing on the financial outturn position previously reported to the Executive Board nor do they impact on the Council's usable reserves.

Letter of Representation

Draft wording for the Letter of Representation, which the Council is proposing to issue to Grant Thornton, following approval by Audit and Governance Committee, is included at Appendix 1. Subject to the Committee's consideration of the Letter, it will be signed by both the Chairman of this Committee and the Strategic Director of Finance and Resources.

6. POLICY IMPLICATIONS

Compliance with accounting standards is fundamental to the Council's organisational delivery priority of delivering a "fit for purpose" organisation.

7. FINANCIAL IMPLICATIONS

As indicated in the report, whilst the External Auditor have identified various adjustments to the Council's Statement of Accounts for 2021/22 because of their audit work, none of those adjustments impact on the financial outturn position previous reported to the Executive Board.

Equally, none of the adjustments have any impact on the Council's usable financial reserves. of this report.

8. LEGAL IMPLICATIONS

The Accounts and Audit (England) Regulations 2015 and The Accounts and Audit (Amendment) Regulations 2021 apply for accounts and reports relating to the financial year 2020/21 and 2021/22, and completion in accordance with International Financial Reporting Standards is required to comply with both the statutory framework established by the Accounts and Audit Regulations, and proper accounting practices required by Section 21(2) of the Local Government Act 2003.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

VERSION:	**0.01**
CONTACT OFFICER:	Simon Ross, Head of Service Finance
DATE:	13th March 2024
BACKGROUND PAPER:	Statement of Accounts 2021/22

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Blackburn with Darwen Borough Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Blackburn with Darwen Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include […]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for [add estimation] and the following change/s to estimation process was/were made[…] We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as *[they are immaterial to the results of the Council and its financial position at the year-end OR list reasons]*. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. [please consider assurances provided from management on equal pay claims]

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note [X] to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

xvii. Any other matters that the auditor may consider appropriate.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxvii. [Any other matters that the auditor may consider appropriate – particularly where information has been restricted, or has been difficult to obtain]

Annual Governance Statement

xxviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxix. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this Letter of Representation was minuted by the Council's Audit and Governance Committee at its meeting on 18th March 2024

Yours faithfully

Name……………………………

Position: Chairman of the Audit and Governance Committee

Date…………………………….

Name……………………………

Position: Strategic Director Finance and Resources

Date…………………………….

Signed on behalf of the Council

Blackburn with Darwen Council Statement of Accounts 2021/22

(subject to audit)

CONTENTS

C O N T E N T S

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION BY THE DIRECTOR OF FINANCE – Dean Langton

I am very pleased to introduce you to Blackburn with Darwen's Statement of Accounts for the financial year 2021/22. It is intended that these accounts provide a useful source of financial and related information for the community, stakeholders, Council Members and other interested parties.

It has been another challenging year for the Council with the impact of Covid-19 continuing to have a significant effect on the Borough's residents and businesses. In turn, the Council has had to focus considerable resources on its response to the Pandemic whilst at the same time dealing with the direct impact on the Council's own operations. As a consequence, the financial impact of the Pandemic has been significant and whilst the Government has provided substantial financial support to the Council, businesses and individuals, the longer term financial impact remains difficult to estimate at this stage.

Despite this, the Council has continued to work hard to deliver services of a high standard and which are generally well regarded. This Narrative Report provides information about the Council's objectives as set out in the Corporate Plan and what progress has been made against those objectives. This is supported by information on a range of performance indicators. Given the environment in which the Council has been operating during 2021/22, the Council has performed incredibly well which is a testament to the hard work and dedication of the Council's staff.

Looking ahead, the medium term financial outlook for the Council remains highly uncertain. Whilst the Government undertook a Comprehensive Spending Review in 2021, setting out Departmental Spending Plans up to 2025, Local Government again received a one-year only funding settlement for 2022/23 with none of the proposed changes in funding distribution methodology previously discussed considered. Plans for a 2-year funding settlement from 2023/24 and the completion of the Fair Funding Review were announced by the Secretary of State for the Department of Levelling Up, Housing and Communities in July 2022 but with changes in Government since, it is not clear whether these plans will be delivered. Indeed, with the escalating 'cost of living' crisis adding to existing pressures such as increasing demand for both Adult and Children's Social Care, the challenges facing local government remain significant. Nevertheless, this Statement of Accounts show that the Council's is well placed to meet these challenges.

I do hope that you find this Statement of Accounts helpful and informative. Whilst the presentation of the Statement of Accounts is largely determined by statute, should you have any suggestions about how we can improve this document, please let us know.

Dean Langton, CPFA
Director of Finance

THE BOROUGH OF BLACKBURN WITH DARWEN

Introduction

Blackburn with Darwen is a growing semi-rural unitary borough located in the east of Lancashire. It has compact urban areas predominately but not exclusively located around the towns of Blackburn and Darwen. The area is surrounded by countryside and features a number of small rural villages and hamlets. Blackburn with Darwen borders Bury and Bolton in the south, Chorley in the west, Hyndburn and Rossendale in the east and Ribble Valley in the north. The borough is well located with good transport and infrastructure links to the rest of Lancashire, Greater Manchester and beyond.

With circa 5,000 businesses, the borough contributes about 9% of the Lancashire business base and is home to the largest number of businesses of the Pennine Lancashire authorities. A range of sectors operate in the borough, including the large public sector local government and health sector employers, Blackburn College and a number of large private sector businesses.

Over two thirds of jobs in the borough are found in the main sectors of; health, manufacturing, education, retail, business administration and support services and professional, scientific and technical services.

Despite a national decline the borough still retains a higher than average level of employment in the manufacturing sector. Although the majority of employee jobs in the borough are found in the private sector, employment within the public sector is above regional and national averages. The borough has an entrepreneurial culture, with a business start-up rate higher than Lancashire as a whole and a greater proportion of higher turnover business than the Lancashire average.

Demographic profile

The first results from the 2021 Census report a population estimate for Blackburn with Darwen in 2021 was 154,800, making it the largest borough in Lancashire. The majority of the borough's residents live in the towns of Blackburn and Darwen with the remaining residents living in the rural villages and hamlets (Hoddlesden, Edgworth, Belmont, Chapel Town and Tockholes) that surround the two major urban centres.

In 2021, there were 1,130 residents per square kilometre in Blackburn with Darwen (compared with 434 per square kilometre nationally). According to the 2021 Census, there is an estimated 58,800 households with at least one usual resident in Blackburn with Darwen. This is 2.4% higher than the estimate of 57,400 in 2011.

The borough still has a younger than average age profile. In 2021, 28.4% of the population were aged 0-19 years (23.1% England) and 14.5% were aged 65 years or over (18.4% England).

As a multicultural borough, the area is home to many people with diverse ethnicities and identities.

The profile of the population is an important determinant of the demand for services provided by the Council, such as the need for adults and children's social care.

Political structure

Blackburn with Darwen Council is split into 17 wards each represented by 3 councillors (51 councillors in total), with one third standing for election three years in four. Following the local elections held in May 2022, the political make-up of the Council is as follows:

Party	Number of councillors
Labour	36
Conservative	13
Liberal Democrat	1
Independent	1
Total	51

Local councillors are elected by the community to decide how the council should carry out its various activities. All councillors meet together as the Council, where they decide the Council's overall policies and set the budget each year.

The Council operates a 'strong leader' model of governance with the Leader appointed by the Council for a four year term of office. The Executive is the part of the Council which is responsible for taking decisions within the budget and policy framework set by the Council. The Leader of the Council appoints members to the Executive Board and determines the allocation of portfolios to Executive Members. The Leader also determines the allocation of any seats on the Executive Board to the opposition parties.

The Executive Board has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must usually be referred to the Council as a whole, except in cases of emergency.

When major decisions are to be discussed or made, these are published in the Executive's forward plan in so far as they can be anticipated. Meetings are open to the public except in instances where confidential or exempt information (as defined in the Local Government Act 1972) is being discussed.

Departmental and Chief Officer Structure

Supporting the work of the Councillors is the Corporate Leadership Team which is led by the Chief Executive and statutory Head of Paid Service, Denise Park. Towards the end of 2021/22, the Council's departmental structure was amended slightly following the resignation and retirement of a number of senior officers. The Departmental Structure aligns responsibilities within a number of larger departments bringing complementary services together, led by Strategic Directors supported by Directors and/or Deputy Directors.

The make-up and responsibilities of the Corporate Leadership Team is as follows:

CHIEF EXECUTIVE

(Head of paid service)

STRATEGIC DIRECTOR CHILDREN & EDUCATION (DCS)	STRATEGIC DIRECTOR ADULTS & HEALTH (DASS)		STRATEGIC DIRECTOR RESOURCES	STRATEGIC DIRECTOR ENVIRONMENT & OPERATIONS	STRATEGIC DIRECTOR GROWTH & DEVELOPMENT
Deputy Director Children's Social Care	**Director Public Health (DPH)**		**Director Finance (s151)**		**Growth Programme Director**
Deputy Director Education & Schools	**Deputy Director Adult Social Care**	**Assistant Director Chief Exec's**	**Deputy Director Legal & Governance (Monitoring Officer)**		
• Children's Social Care • Child Protection & Safeguarding • Permanence, Fostering & Adoption • Education & SEND • Schools • Post-16 • Early Years • Early Help • Young People's Services • Children in Our Care and Care Leavers	• Adult Social Care • Strategic Commissioning • Public Health • Wellbeing • Prevention Services • Health Interface • Community Protection • Housing Needs • Neighbourhoods & Learning • Social Integration & Inequalities	• HR & Payroll • Health & Safety • Workforce & Organisational Development • Communications & Engagement • Policy • Civil Contingencies • COVID response • Trade Union relations	• Finance • Audit & Risk • Procurement & Contracts • Digital & IT • Legal, Governance & Democratic Services • Elections • Information Governance • Revenues & Benefits • Customer Services • Registrars • Transformation & Change • Business Operations • Data & Performance	• Environmental and Waste Services • Highways & Transport • Parks and Green Spaces • Cemeteries and Crematorium • Public Protection • Commercial Services, Leisure, Markets and Parking • Libraries & Culture • Building Maintenance	• Growth Programme • Employment & Skills • Economic Development and External Investment • Planning & Development Management • Building Control • Strategic Transport Planning • Land and Property Management • Carbon Sustainability Town Centres
PEOPLE		RESOURCES		PLACE	

Staffing

The Council is supported by administrative, professional, technical and operational employees whose role it is to advise the Council on all aspects of its functions and to put into effect decisions which are taken in order to provide services to the public.

The Council employs around 2,245 people in full time and part time roles with around another 2,457 people employed in schools.

Corporate Plan 2019-2023

The Corporate Plan 2019-2023 was agreed by elected members in March 2019 and sets out the Council's eight priorities over a period of four years. We believe that if it is delivered our Corporate Plan will enable all of our residents to achieve a good quality of life in a vibrant and thriving place, with strong community values and an inclusive society.

The plan is for everyone – councillors, staff, partners, residents, businesses – who can support the council in being the best it can possibly be. It has eight strategic priorities:

PEOPLE	PLACE	ECONOMY	COUNCIL
Supporting young people and raising aspirations	Connected communities	Strong economy to enable social mobility	Transparent and effective organisation
Safeguarding and supporting the most vulnerable people	Safe and clean environment	Supporting our town centres and businesses	
Reducing health inequalities and improving health outcomes			

The plan is informed by several key pieces of work and activity including Joint Strategic Needs Assessment (JSNA), a Local Government Association (LGA) Peer Review held in December 2018, a partnership summit, the 2018 residents' survey and independent economic analysis.

The plan reflects what the Council wants to achieve for residents and businesses and will help inform policy and budget decisions, as well as supporting bids for external funding. A performance framework has been developed to measure how the council is performing against its eight priorities.

Priority 1. Supporting young people and raising aspirations

Our young people are the future of our Borough and we are committed to support them from birth and through their journey to becoming adults.

We will:

- work with parents and carers to enable them to access good quality early years education and learning so that our children are ready for a strong start at school.
- work with our schools, communities and partners to continue to nurture well rounded independent young people.
- work with all of the schools, colleges and partners to support young people in achieving their full potential.
- work with partners to ensure young people have access to clear careers advice and guidance and are equipped with the skills and qualities to access jobs.

Priority 2. Safeguarding and supporting the most vulnerable people

We have a duty to safeguard people of all ages to be safe from harm and live a life free from abuse, neglect and unfair treatment, and support those who choose to live independently.

We will:

- provide support locally and at the earliest opportunity to ensure people are safeguarded and protected.

- work with partners to guarantee that people in need of support and protection continue to receive it from the right agencies at the right time for as long as they need it.
- support our safeguarding partnerships arrangements to ensure that local agencies co-ordinate their work to safeguard vulnerable people of all ages and are effective.

Priority 3. Reducing health inequalities and improving health outcomes

We are committed to increasing life chances for our residents by improving health and wellbeing; creating healthy places and giving all people the opportunity to Start Well, Live Well and Age Well.

We will:

- work with people earlier to prevent ill health and poor wellbeing, promoting self-care and supporting independence to enable people to live well at home.
- work with our partners to make sure that our residents have access to good quality sporting and leisure facilities across the Borough and can access wellbeing activity in their local neighbourhoods.
- work with the NHS, third sector, public sector partners and business to improve people's mental health and wellbeing through advice, support and activities.
- consider the impact on health and wellbeing in all of our services.
- work with local NHS services to reform, integrate and improve the health and social care system and to extend the investment in prevention for all of our residents.

Priority 4. Connected communities

Communities bring a sense of belonging for many people, breaking through social isolation and building personal resilience. We remain committed to strengthening resilient communities and groups.

We will:

- ensure that residents have access to a broad range of good quality festivals and events across the Borough to bring neighbourhoods and communities together.
- make volunteering easier and work with partners and residents to direct volunteer support where it's needed the most.
- support communities and community groups to access funding and other resources.
- work with communities to become digitally enabled.
- recognise the achievements of our communities and the valuable contribution of residents.
- support activity to enable people from different backgrounds or beliefs to integrate.

Priority 5. Safe and clean environment

We want the Borough to be a safe and clean place to live and visit, promoting pride in the area and environment.

We will:

- work with our residents, schools and businesses to raise awareness of the positive environmental and financial impacts of recycling
- work with communities, environmental organisations and groups to help keep neighbourhoods clean and tidy.
- continue to invest in our roads and pavements to make sure they are safer.
- work with our citizens and businesses to promote behaviours, using enforcement action where necessary and in the best interest of public protection.

Priority 6. Strong, growing economy to enable social mobility
We are committed to making sure that everyone of working age is able to access jobs, career progression and make a positive contribution to the economy, irrespective of their social circumstances and background. We will: • work with our partners to improve productivity through skills, innovation, sector and trade programmes. • develop and deliver a strategic pipeline of growth programmes attracting investment and generating new economic, housing and infrastructure growth opportunities. • deliver sustained growth and higher value employment for all our residents as an enabler to social mobility. • provide a broad and good quality house choice for all our residents, transforming old housing stock, building new homes and working with private and social landlords to improve the rental market. • work with partners and investors to secure the Borough regionally and nationally as an investment priority.
Priority 7. Supporting our town centres and businesses
Thriving town centres and businesses are crucial to the success of the Borough and its residents. We are committed to creating the right environment and support to maximise growth and increase investment. We will: • work with partners to strengthen the economic and cultural offers of Blackburn and Darwen town centres. • promote and encourage local procurement to support local businesses. • work with the Hive Ambassadors Network to establish a powerful business network to promote Blackburn with Darwen and support wider engagement with new investors to the Borough. • encourage entrepreneurship and new business growth drawing on our young, culturally rich and dynamic population.
Priority 8. Transparent and effective organisation
Residents and businesses must have confidence in the Council and we remain committed to being the best we can possibly be. We will: • ensure that all our services are delivered in a cost effective and efficient way supported by technology and in collaboration with our partners and citizens. • make best use of our available resources and assets providing value for money for residents and businesses. • be open and transparent in our leadership and governance. • maximise external funding and be commercially active bringing greater resilience to our finances. • take active steps across all council departments to reduce our carbon footprint and be even more environmentally and ecologically aware.

Corporate Plan Performance Summary

To help the Council measure its performance against the eight corporate priorities outlined in the previous section, a performance framework is in place which measure performance based on 70 key performance indicators (KPIs). Of the 70 measures, assessment was made as follows as at the end of 2021/22:

- 54% (38 actual) have been forecast as “green” or on track.
- 26% (18 actual) have been forecast as “amber” where delivery is on track and is currently being managed.
- 9% (6 actual) have been forecast as “red” where performance is, or is likely to be, off track.
- 11% (8 actual) of the measures do not have data or a RAG rating available.

The number of instances where it has not been possible to report data has reduced slightly from the previous year, and continues to be due to Council resources being diverted to respond to the Coronavirus pandemic.

Guidelines provided to assist departments in allocating a RAG rating to their targets, are as follows:

RED	• The measure is likely to fail or perform poorly in the future • The measure falls below a set national target / statutory required performance. • The measure may also be below a minimum requirement for the particular service as agreed by the department • The lead department perceives there could be a potential serious risk to the Council
AMBER	• The measure is at risk of failure, but the lead department feels this is currently being managed • Actions are or need to be in place to ensure that the end of year position is achieved
GREEN	• The measure is on target/ over performing / over achieving (if departmental target has been set) • The lead department perceives there is currently no risk to the council in relation to this measure.

The table below shows a breakdown of the measures across priorities:

Priority		Total	Red	Amber	Green	Data is currently unavailable
People (27) A good quality of life for all of our residents	P1 – Supporting young people and raising aspirations	**4**	0	1	3	0
	P2 – Safeguarding and supporting the most vulnerable people	**9**	0	5	4	0
	P3 – Reducing health inequalities and improving health outcomes	**16**	0	4	9	3
Place (12) Community pride in a vibrant place to live and visit	P4 – Connected communities	**8**	3	0	5	0
	P5 – Safe and clean environment	**5**	0	1	4	0
Economy (14) A strong and inclusive economy with continued growth	P6 – Strong, growing economy to enable social mobility	**9**	1	1	6	1
	P7 – Supporting our town centres and businesses	**4**	0	1	3	0

Council (16) Delivered by a strong and resilient council	**P8 – Transparent and effective organisation**	**15**	2	5	4	4
Total		**70**	**6**	**18**	**38**	**8**
Overall percentage		**100%**	**9%**	**26%**	**54%**	**11%**

Whilst the performance for the year across the Council was predominantly positive, challenges persist; those areas where progress has not been made as anticipated, or where targets were not achieved (and therefore performance has been rated Red) relate to the following measures:

P4 – Connected communities	**Performance Measure: No. 31** Number of individuals engaged in activity across the Our Community Our Future Programme **Performance Measure: No. 32** Number of community groups engaged in activity across the Our Community Our Future Programme	**Target:** 1,000 individuals **Performance 2021/22:** 638 individuals **Target:** 80 groups **Performance 2021/22:** 53 groups
	Performance Measure: No. 33 Library and Information Service – number of digital loans	**Target:** 54,000 **Baseline:** 53,241 **Performance 2021/22:** 36,488
P6 – Strong, growing economy to enable social mobility	**Performance Measure: No. 44** Number of people supported into employment or learning	**Target:** 1,235 **Baseline:** 845 **Performance 2021/22:** 879
P8 – Transparent and effective organisation	**Performance Measure: No. 63** Undisputed and valid supplier invoices paid within 30 days.	**Target:** 95% (good performance is higher) **Baseline:** 94% (2020/21) **Performance 2021/22:** 91%

A report on the Council's progress against the Corporate Plan during 2021/22 was included on the agenda for the Executive Board meeting held on 9th June 2022. Appendix Two to the report outlines the reason for the performance, what the likely impact of continued performance at this level would be and what activities have been, or are being, put in place to address these issues. The report can be found on the Council's website.

FINANCIAL PERFORMANCE OF THE COUNCIL 2021/22

Revenue Outturn

The general fund revenue accounts represent the cost of meeting the annual expenses of carrying out the Council's duties and responsibilities to the community, most of which are of a statutory nature.

The Council's proposals for the Revenue Budget 2021/22 and the Medium Term Financial Strategy (MTFS) for 2021-24 were agreed at Finance Council on 1st March 2021. The purpose of the MTFS is to set the financial framework for the Council for the medium term to ensure delivery of the Council's strategic objectives and major projects. As for the previous year, the Government only issued details of a one year local government finance settlement for 2021/22, and gave no indication of their proposed changes to the mechanisms for Business Rates Retention nor their intended approach for redistributing resources through future local government finance settlements. As a result, it was not possible to plan for funding arrangements beyond 2021/22 with any certainty. In preparing the 2021-24 MTFS, the Council therefore made assumptions based on the best information available at the time. Within this financial context, the MTFS was drafted to ensure that the Council's strategy remains to help support those in hardship whilst encouraging the growth of jobs and businesses.

At Finance Council on 1st March, the Council approved a revenue budget of £107.741 million. This represented approved net expenditure of £112.151 million (including parish precepts of £0.190 million) less contributions from Council reserves of £4.410 million.

The summary of the outturn revenue position is as follows:

	Original Estimate £000	Revised Estimate (Qtr 4) £000	Actual Outturn £000	Variation from Revised £000
Net Expenditure				
Adult services and prevention	53,747	55,519	53,092	(2,427)
Public health and wellbeing	2,239	2,913	3,311	398
Children, young people and education	32,194	32,369	34,107	1,738
Environmental services	9,172	9,701	9,883	182
Growth and development	8,076	6,365	6,521	156
Digital and customer services	5,771	6,514	6,447	(67)
Finance and governance	9,691	9,165	8,964	(201)
Schools and education (DSG)	(941)	(941)	(667)	274
Net portfolio controllable expenditure	**119,949**	**121,605**	**121,658**	**53**
Contribution from schools for prudential borrowing	(416)	(416)	(416)	0
Contribution to capital expenditure	3,381	2,020	2,020	0
Interest and debt repayment	18,286	17,540	17,817	277
Amounts to be allocated / contingencies	8,251	831	831	0
Other Non-Ringfenced Grants	(37,490)	(42,144)	(42,144)	0
Town and Parish councils	190	190	190	0
Total net expenditure	**112,151**	**99,626**	**99,956**	**330**
Contribution (from)/to reserves	(4,463)	8,715	8,440	(275)
General Fund working balance	53	(600)	(655)	(55)
Total net budget	**107,741**	**107,741**	**107,741**	**0**
Financed by:				
Business rates Top-up grant	(24,275)	(24,275)	(24,275)	0
Retained business rates	(20,545)	(20,545)	(20,545)	0
Revenue Support Grant	(13,597)	(13,597)	(13,597)	0
Council tax income	(57,207)	(57,207)	(57,207)	0
Net surplus / (deficit) on Collection Fund	7,883	7,883	7,883	0
Total financing	**(107,741)**	**(107,741)**	**(107,741)**	**0**

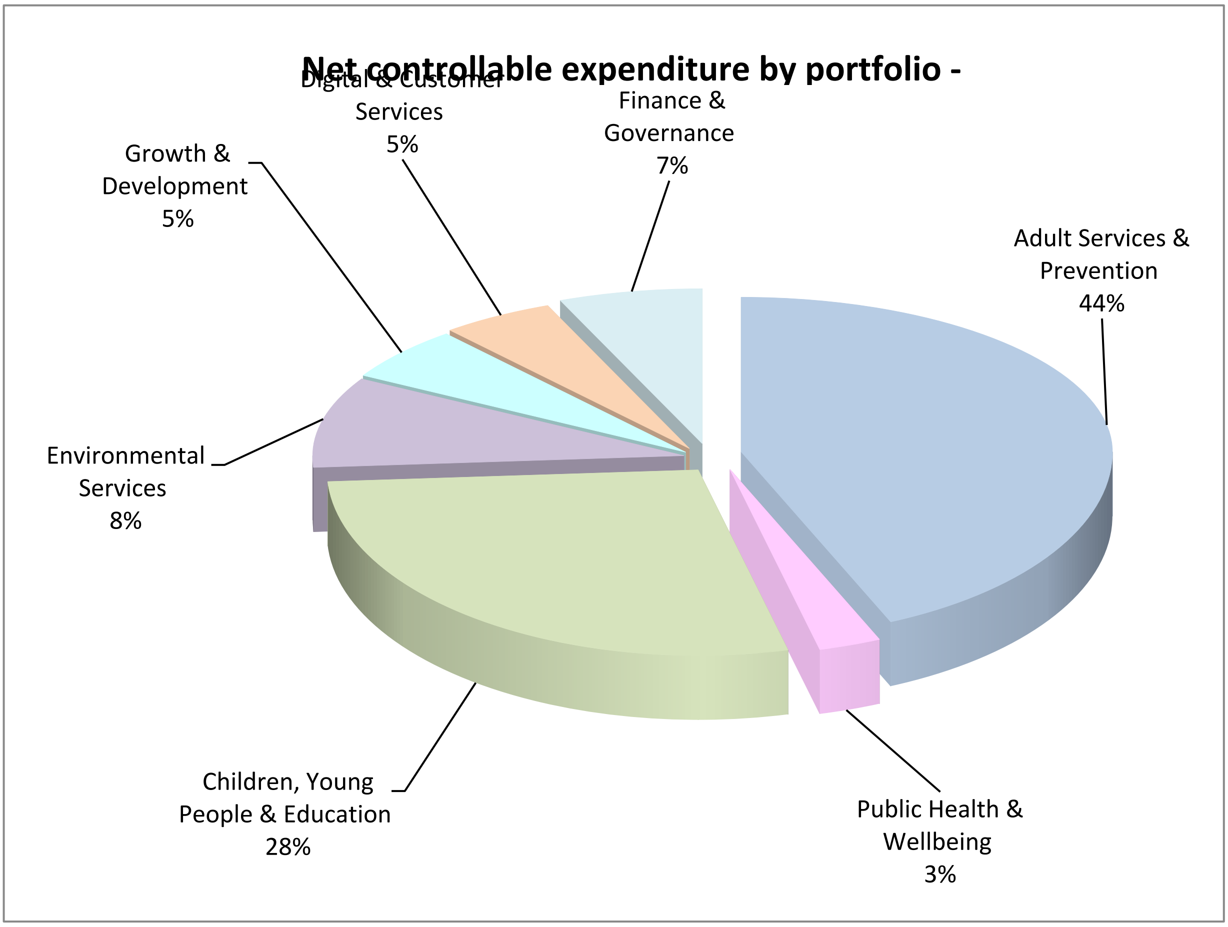
Revenue and capital budget monitoring information is reported to the Executive Board on a quarterly basis throughout the year, with the actual outturn position being reported in the Quarter 4 report. In addition, Treasury Management performance is reviewed by the Treasury Management Group and reported to the Audit and Governance Committee.

Decisions about resource allocation are taken by the Council's Executive Board on the basis of budgets analysed across portfolios as shown above. Portfolio controllable budgets are monitored and revised throughout the year and actual expenditure and income (revenue outturn) is measured against this revised budget at the financial year end.

The main variations in portfolio revenue outturn are as follows:

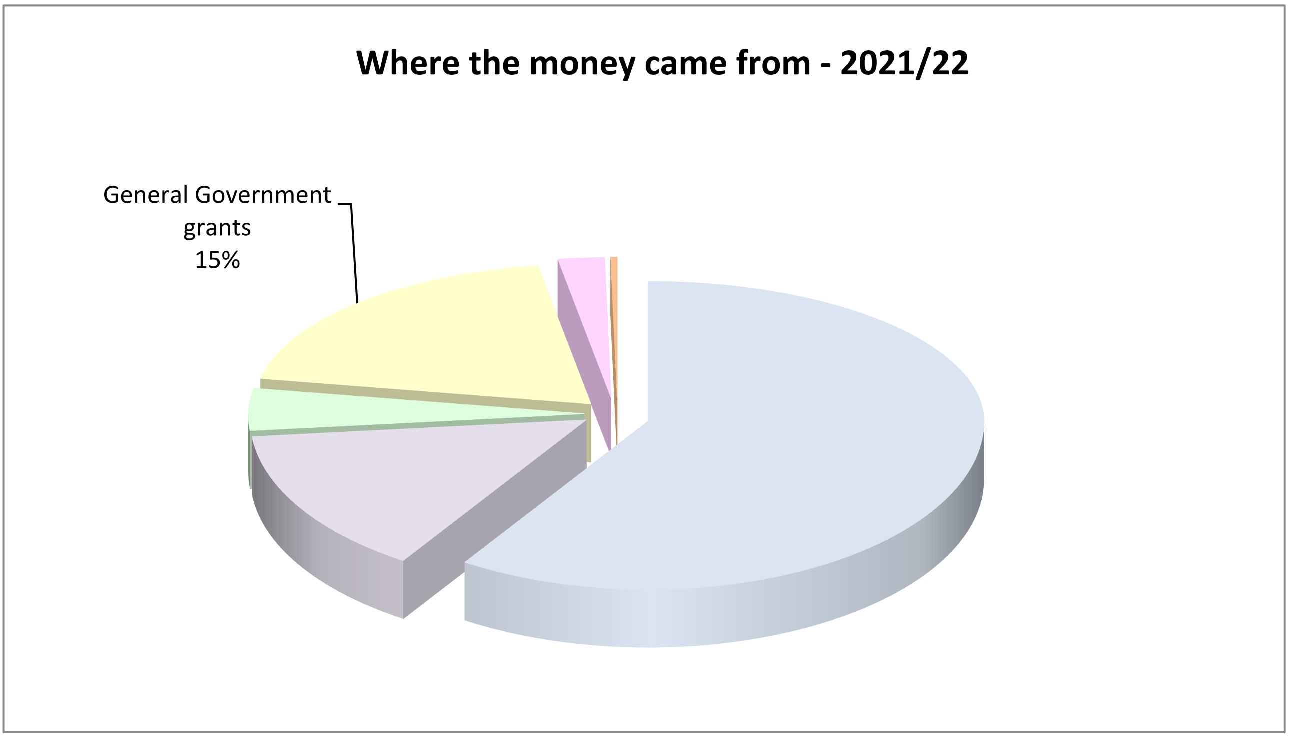
- **Adult Services & Prevention** (£2.427 million underspend) – Despite underlying pressures within the commissioning budget due to the additional demand and cost of care, there was a significant underspend resulting from the application of one off Covid-related funding. A net underspend on non-commissioning budget areas was predominantly a result of staffing vacancies for essential posts due to continuing difficulties in social care recruitment exacerbated with realignment of duties to meet Covid-19 priorities.
- **Children, Young People & Education** (£1.738 million overspend) – Budget pressures related to the areas of Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care, and also in respect of the Home to School and SEN Transport budgets.

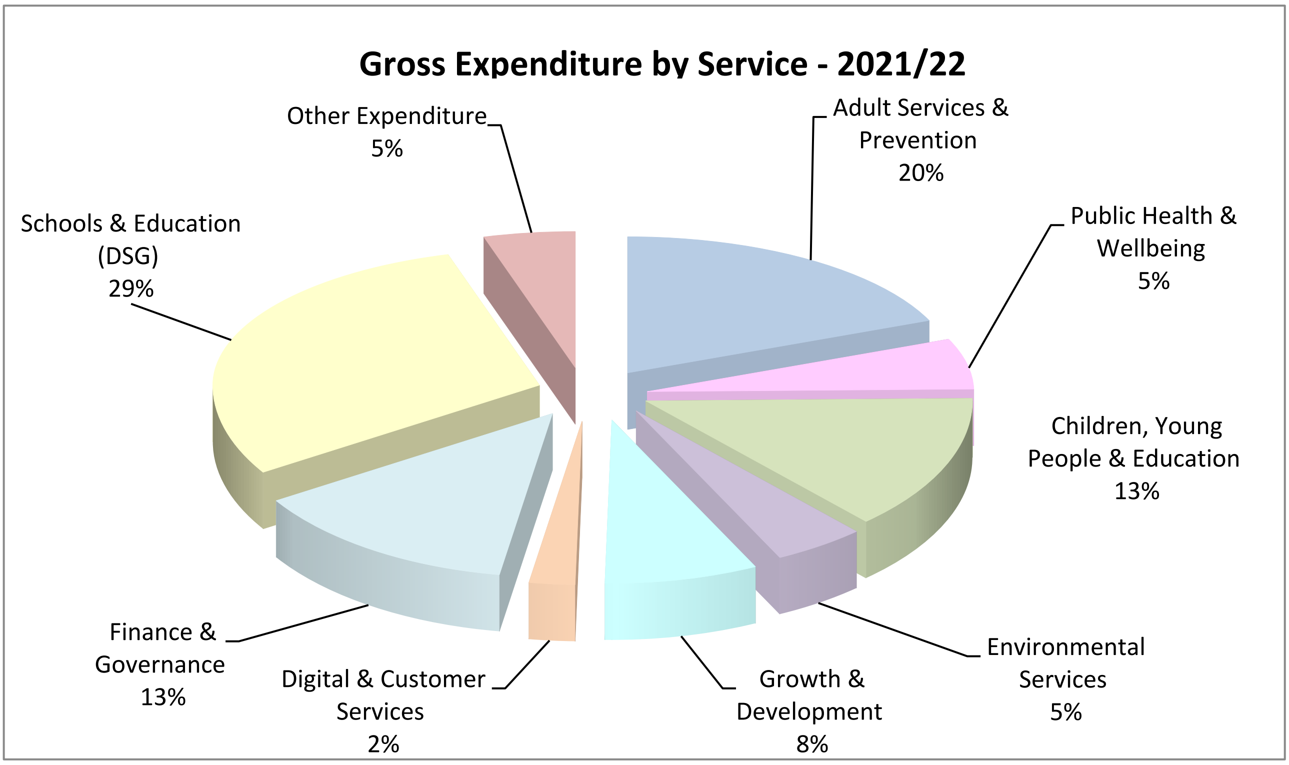
The net controllable expenditure by portfolio (excluding *Schools and education (DSG)*) for 2021/22 is shown in the chart below:



Analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is presented on the basis of how the Council is structured and how it monitors and manages its financial performance i.e. by reference to portfolio controllable budgets. The Expenditure and Funding Analysis (Note 1) explains the differences between the revenue outturn figures above and financial performance reported on the basis of proper accounting practices within the Comprehensive Income and Expenditure Statement.

The following charts derive from the Comprehensive Income and Expenditure Statement and show where the money came from and how it was spent.





Capital Expenditure

Capital expenditure and income result from transactions in respect of the following:

- Buying or selling land or property
- Building new property
- Purchasing plant or equipment
- Significantly enhancing the value of our existing property

- Providing loans and / or grants to others for the above
- Service and commercial investments made for their contribution toward service delivery objectives

The Council's Capital Programme for the period 2021-2024 was agreed at Finance Council on 1st March 2021. The approved portfolio capital programme for 2021/22 was £25.493 million although additional approvals and re-profiling of capital schemes in year resulted in a revised programme of £26.299 million. Actual expenditure was £17.273 million which is 65.5% of the revised programme.

	Approved Programme £000	Revised Programme (Qtr 4) £000	Actual £000	Variation before slippage £000	Slippage £000	Total Variation £000
Capital Expenditure						
Adult services and prevention	2,594	2,424	2,237	(187)	(283)	96
Public health and wellbeing	0	304	266	(38)	0	(38)
Children, young people and education	5,800	6,346	1,504	(4,842)	(4,842)	0
Environmental services	333	53	(4)	(57)	(34)	(23)
Growth and development	6,133	11,258	8,732	(2,526)	(2,765)	239
Digital and customer services	1,254	1,804	1,414	(390)	(382)	(8)
Finance and governance	2,347	3,558	2,845	(713)	(686)	(27)
Portfolios total	**18,461**	**25,747**	**16,994**	**(8,753)**	**(8,992)**	**239**
Earmarked Schemes	5,532	552	279	(273)	(308)	35
Contingent Schemes	1,500	0	0	0	0	0
Total capital expenditure	**25,493**	**26,299**	**17,273**	**(9,026)**	**(9,300)**	**274**
Financing						
Unsupported borrowing	(13,307)	(3,118)	(2,414)	704	665	39
Contributions from revenue	(3,381)	(2,739)	(2,020)	719	991	(272)
Government grants	(8,574)	(17,016)	(9,399)	7,617	7,658	(41)
External contributions	(231)	(3,426)	(3,440)	(14)	(14)	0
Total resources	**(25,493)**	**(26,299)**	**(17,273)**	**9,026**	**9,300**	**(274)**

The total variation at outturn was made up of:

- budget increases and other scheme variations made to reflect the approval of schemes during the fourth quarter of the year (an increase of £0.274 million); and
- slippage and re-profiling of budgets during the final quarter of the year (£9.300 million).

The other main points to note are as follows:

- **Children, young people and education** - unallocated schools capital grant allocations have been retained in an overarching Capital Allocation Fund within the capital programme until bids against this have been approved. As such, a balance remains unallocated at the year-end of £3.823 million for carry forward and utilisation in 2022/23. Further slippage on schemes within the schools capital programme totalled £0.748 million.
- **Growth and development** – slippage on schemes included Local Transport Plan (£1.561 million), Drainage (£0.412 million) and Darwen Towns Fund (£0.598 million).

The major capital schemes in 2021/22 are listed below.

Capital Expenditure	£000
Adults and prevention services	
Disabled facilities grants	1,569
Telecare project	160
Safer Streets Fund	308
CCTV Hub Upgrade	200
Public health and wellbeing	
Replacement Gym Equipment	252
Children, young people and education	
Disabled facilities grants	225
Blackburn Central High School/Crosshill Special Educational Needs (SEN)	674
Lammack School Extension	341
Environmental services	
Vehicle Purchases	279
Growth and development	
Local Transport Plan	4,633
Neighbourhood Intervention Fund	553
Blakey Moor	179
Milking Lane SPV	250
Assistance to Industry	117
Darwen Towns Fund	885
Darwen Tower	227
Development Investment Fund	227
Thwaites SPV	1,213
Acquisition of former Fleece Inn	200
Digital and customer services	
Corporate ICT Schemes	1,414
Finance and governance	
Corporate Accommodation Strategy Phase 2	742
Darwen Town Hall Roof	267
Public Sector Decarbonisation	1,688
Other schemes	669
Total	**17,272**

Treasury Management

During 2021/22, the Council's investment balances have continued to be unusually high, due to the enhanced level of funds received from central government. These included funds for distribution as grants to businesses and to cover the additional costs of the ongoing response to the COVID-19 pandemic. Investment balances averaged around £61 million, ranging between £35 million and £84 million. Investments were generally either kept on call, or for relatively short durations, resulting in low returns. The Bank of England Bank Rate started the year at a historical low of 0.10%, but started to rise towards the end of 2022, increasing by 0.15% in December 2021 and further two 0.25% rises in February and March 2022, reaching a year end rate of 0.75%. The interest rates on investments largely followed the movements on the Bank of England Bank Rate, remaining at exceptionally low rates for the majority of the year, with increases in the final quarter. Interest earned was around £50,000, at an average rate of 0.08%.

Excluding the nominal debt associated with schools Private Finance Initiative (PFI) schemes, the Council's long term debt fell from £146 million to £142 million, with a further £20 million in short-term loans at the end of the year (decreased from £78 million a year ago) taking the closing total to £162 million. Interest on financing this debt cost the Council approximately £5.7 million (down from £6.3 million in 2020/21), with another £0.2 million interest cost on the £13.0 million of debt managed on the Council's behalf by Lancashire County Council.

Excluding the schools PFI element, the Council's Capital Financing Requirement (CFR) - the long-term borrowing need to cover capital spending not financed from other sources – fell from £229 million to £220 million. The Council has continued to use its overall cash position, and cheaper short-term borrowing, to make significant savings in borrowing costs. Interest costs have started to increase and are forecast to increase further in the short term, which is expected to add to budget pressures.

In 2021/22, following recommendations from the Council's External Auditors from the audit process for 2020/21, the Council reviewed its MRP (Minimum Revenue Provision) Policy, which determines how it will make a prudent charge for debt repayment in the accounts. The change was to amend the annuity rate used in the calculation of the MRP charge for capital expenditure financed by debt arising up to 2007/08 and all new Government-supported borrowing arising from 2007/08 and thereafter as well as historic debt that was entered into prior to unitary authority status which is managed by Lancashire County Council. As a result, the MRP charge to revenue will be higher than in the previous year, so the Capital Financing Requirement will be lower than it would otherwise be (and total interest costs higher). The net increase in the MRP charge in 2021/22 was £0.38 million.

Pension Fund Liability

The pension fund liability at 31 March 2022 as estimated by the fund actuary was £228.7 million compared to £325.2 million at 31 March 2021. This liability represents the underlying commitments that the Council has to pay retirement benefits. The variation between years was due to changing assumptions by the actuary. The liability represents the value at a point in time, and as the fund assets are mainly invested in equities and bonds the value of these and, therefore, the pension liability can vary as market values change.

Further details on post-employment benefits are provided in Note 30.

CONTENT OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts summarises the Council's transactions for the financial year 2021/22 and its position at the year end of 31 March 2022. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members, employees and other interested parties clear information about the Council's finances. It provides information on the following:

- The cost of the Council's services for the year
- Where the money came from
- What the Council's assets and liabilities were at the year end

CORE FINANCIAL STATEMENTS

The accounts consist of the following core financial statements supported by explanatory notes and the accounting policies applied by the Council in preparing and presenting those financial statements. An explanation of the purpose of each of the statements is given below.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis (Note 1).

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". It also shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The *Net (increase) / decrease* line shows the true statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- **Usable reserves** – those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable reserves** – these are not able to be used to provide services and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line *Adjustments between accounting basis and funding basis under regulations.*

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investment and financing activities.

- The amount of net cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- **Investing activities** represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

- Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Notes to the Financial Statements

These notes are fundamentally important in the presentation of a true and fair view, and have three significant roles:

- presenting information about the **basis of preparation** of financial statements and the **specific accounting policies** used
- disclosing the **information required by the Code** that is not presented elsewhere in the financial statements – most commonly this will entail notes breaking down lines presented on the face of the financial statements into their significant components (e.g. sub-classifications of property, plant and equipment)
- providing **information that is relevant to an understanding of the financial statements in general** – this will apply to information that is material in a qualitative sense but not material enough in a quantitative sense to justify disclosure on the face of any of the statements (e.g. transactions with related parties).

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Statement and Notes

The Collection Fund Statement reflects the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

There is no requirement for a separate Collection Fund Balance Sheet. Instead, Collection Fund balances are distributed across the Balance Sheets of the billing authority, the government and precepting authorities according to the provisions of the Code.

ACCOUNTING POLICIES

Accounting policies are the specific principles, conventions, rule and practices applied by the Council in preparing and presenting its financial statements. Accounting policies should focus on recognition, measurement and presentation in line with the requirements of the Code, as follows:

- Recognition – the process for recording a transaction in the Balance Sheet or the Comprehensive Income and Expenditure Statement.
- Measurement – the quantification in monetary terms of the amounts at which assets, liabilities, income, expenditure and reserves are reported.
- Presentation – the process for effectively communicating information on assets, liabilities, income, expenditure and reserves in the financial statements and the disclosures.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied. Where this is the case, explanations are provided in respect of any changes being made to the figures presented in the previous year's financial statements.

STATEMENT OF RESPONSIBILITIES

This statement defines the responsibilities of the Council and the Chief Financial Officer in respect of the Council's financial affairs.

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance's responsibilities

The Director of Financed is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA*)* Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Director of Finance has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2022.

D Langton
Director of Finance
Blackburn with Darwen Borough Council
1st September 2022

INDEPENDENT AUDITORS' REPORT

This version of the Statement of Accounts is presented in advance of Audit. The published version will include the Audit Certification on these pages.

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
78,157	(24,927)	53,230	Adult services and prevention	82,806	(25,933)	56,873
21,186	(21,658)	(472)	Public health and wellbeing	20,390	(21,240)	(850)
47,649	(7,694)	39,955	Children, young people and education	62,851	(9,060)	53,791
18,516	(6,409)	12,107	Environmental services	17,278	(6,310)	10,968
31,974	(14,616)	17,358	Growth and development	35,184	(12,994)	22,190
7,811	(581)	7,230	Digital and customer services	9,601	(751)	8,850
60,623	(43,700)	16,923	Finance and governance	57,392	(47,176)	10,216
110,905	(120,018)	(9,113)	Schools and education (DSG)	120,338	(122,455)	(2,117)
376,821	**(239,603)**	**137,218**	**Cost of Services**	**405,840**	**(245,919)**	**159,921**
		1,568	Other operating expenditure (Note 4)			3,632
		17,595	Financing and investment income and expenditure (Note 5)			18,860
		(173,449)	Taxation and non-specific grant income (Note 6)			(165,608)
		(17,068)	**(Surplus)/deficit on provision of services**			**16,805**
		(3,791)	(Surplus)/deficit on revaluation of non-current assets (Note 29)			(23,707)
		82,611	Re-measurement of the net defined benefit pension liability (Note 29)			(133,876)
		78,820	**Other comprehensive income and expenditure**			**(157,583)**
		61,752	**Total comprehensive income and expenditure**			**(140,778)**

MOVEMENT IN RESERVES STATEMENT

	General Fund (b) £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (Note 29) £000	Unusable Reserves (restated) (Note 29) £000	Total Reserves £000
Balance at 31 March 2020	**(35,804)**	**0**	**(5,843)**	**(41,647)**	**102,525**	**60,878**
Total comprehensive income and expenditure (a)	(17,068)	0	0	(17,068)	78,820	61,752
Adjustments between accounting basis and funding basis under regulations (Note 3)	(16,244)	0	(6,847)	(23,091)	23,091	**0**
Net (increase)/decrease in year	**(33,312)**	**0**	**(6,847)**	**(40,159)**	**101,911**	**61,752**
Balance at 31 March 2021	**(69,116)**	**0**	**(12,690)**	**(81,806)**	**204,436**	**122,630**
Total comprehensive income and expenditure (a)	16,805	0	0	16,805	(157,583)	(140,778)
Adjustments between accounting basis and funding basis under regulations (Note 3)	(26,011)	(164)	(645)	(26,820)	26,820	**0**
Net (increase)/decrease in year	**(9,206)**	**(164)**	**(645)**	**(10,015)**	**(130,763)**	**(140,778)**
Balance at 31 March 2022	**(78,322)**	**(164)**	**(13,335)**	**(91,821)**	**73,673**	**(18,148)**

a) Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement.
b) The General Fund column amalgamates the Council’s Earmarked and Unallocated reserves (Note 29).

BALANCE SHEET

31 March 2021 £000		Note	31 March 2022 £000
422,337	Property, plant and equipment	13	424,613
37,089	Heritage assets	16	39,332
49	Investment properties	17	15
926	Intangible assets	18	2,271
575	Long term investments	19	2,040
1,451	Long term debtors	20	1,241
462,427	**Long term assets**		**469,512**
34,018	Short term investments	25	10,040
326	Inventories		384
33,412	Short term debtors	21	27,323
32,167	Cash and cash equivalents	22	38,916
99,923	**Current assets**		**76,663**
(7,656)	Bank overdraft	22	(3,020)
(82,507)	Short term borrowing	25	(24,022)
(48,131)	Short term creditors	23	(55,015)
(3,152)	Grants received in advance		(3,678)
(141,446)	**Current liabilities**		**(85,735)**
(2,875)	Provisions	24	(4,386)
(142,148)	Long term borrowing	25	(138,592)
(398,511)	Other long term liabilities	26	(299,314)
(543,534)	**Long term liabilities**		**(442,292)**
(122,630)	**Net assets**		**18,148**
(81,806)	Usable reserves	29	(91,821)
204,436	Unusable reserves	29	73,673
122,630	**Total reserves**		**(18,148)**

CASH FLOW STATEMENT

2020/21 £000		Note	2021/22 £000
17,068	Net surplus/(deficit) on the provision of services		(16,805)
7,116	Adjustments to net surplus/deficit on the provision of services for non-cash movements	31	77,914
(23,603)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	31	(18,766)
581	**Net cash flows from operating activities**		**42,343**
12,569	Investing activities	31	29,541
(13,839)	Financing activities	31	(60,499)
(689)	**Net increase/(decrease) in cash or cash equivalents**		**11,385**
25,200	Cash and cash equivalents at the beginning of the reporting period		24,511
24,511	**Cash and cash equivalents at the end of the reporting period**		**35,896**

1 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund Balance £000	**Adjustments between the Funding and Accounting Basis (Analysis below) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**		**Net Expenditure Chargeable to the General Fund Balance £000**	**Adjustments between the Funding and Accounting Basis (Analysis below) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
49,795	3,435	53,230	Adult services and prevention	53,092	3,781	56,873
2,486	(2,958)	(472)	Public health and wellbeing	3,311	(4,161)	(850)
30,813	9,142	39,955	Children, young people and education	34,107	19,684	53,791
9,922	2,185	12,107	Environmental services	9,883	1,085	10,968
7,737	9,621	17,358	Growth and development	6,521	15,669	22,190
5,330	1,900	7,230	Digital and customer services	6,447	2,403	8,850
12,517	4,406	16,923	Finance and governance	7,543	2,673	10,216
(4,562)	(4,551)	(9,113)	Schools and education (DSG)	(667)	(1,450)	(2,117)
114,038	**23,180**	**137,218**	**Cost of Services**	**120,237**	**39,684**	**159,921**
(147,350)	(6,936)	(154,286)	Other income and expenditure	(129,443)	(13,673)	(143,116)
(33,312)	**16,244**	**(17,068)**	**(Surplus)/deficit**	**(9,206)**	**26,011**	**16,805**

(35,804)			**Opening General Fund Balance at 1 April**	**(69,116)**		
(33,312)			**(Surplus)/deficit**	(9,206)		
(69,116)			**Closing General Fund Balance at 31 March**	**(78,322)**		

2021/22 Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	**Total Adjustments £000**
Adult services and prevention	110	2,707	964	3,781
Public health and wellbeing	(1,519)	979	(3,620)	(4,160)
Children, young people and education	9,912	3,413	6,358	19,683
Environmental services	(1,467)	1,257	1,294	1,084
Growth and development	14,133	1,231	305	15,669
Digital and customer services	887	957	559	2,403
Finance and governance	321	1,811	542	2,674
Schools and education (DSG)	0	4,376	(5,826)	(1,450)
Net Cost of Services	**22,377**	**16,731**	**576**	**39,684**
Other expenditure and income from the Expenditure and Funding Analysis	(15,695)	6,443	(4,421)	(13,673)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**6,682**	**23,174**	**(3,845)**	**26,011**

2020/21 Adjustments between the Funding and Accounting Basis	Adjustments for Capital Purposes (Note 1a) £000	Net change for the Pensions adjustments (Note 1 b) £000	Other Differences (Note 1 c) £000	**Total Adjustments £000**
Adult services and prevention	317	1,809	1,309	3,435
Public health and wellbeing	85	681	(3,724)	(2,958)
Children, young people and education	114	2,420	6,608	9,142
Environmental services	(54)	886	1,353	2,185
Growth and development	8,340	976	305	9,621
Digital and customer services	955	607	338	1,900
Finance and governance	2,038	1,128	1,240	4,406
Schools and education (DSG)	0	2,757	(7,308)	(4,551)
Net Cost of Services	**11,795**	**11,264**	**121**	**23,180**
Other expenditure and income from the Expenditure and Funding Analysis	(24,290)	4,744	12,610	(6,936)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(12,495)**	**16,008**	**12,731**	**16,244**

1 a Adjustments for Capital Purposes – this column adds in depreciation, amortisation, impairment, revaluation gains and losses and net REFCUS expenditure to the cost of services line of the Comprehensive Income and Expenditure Statement, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. This line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

1 b Net change for the Pensions Adjustments – this relates to the Local Government Pension scheme and involves the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Council to the Local Government Pension Fund as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure -** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

1 c Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Services** the other differences column recognises adjustments to the General Fund for the cost of compensated absences e.g. annual leave entitlement not taken by employees during the year. Items in relation to leases and investment property expenditure and income are adjusted between services and the Financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.
- For **Financing and investment income and expenditure** adjustments also include timing differences for premiums and discounts and the impact of effective interest rate adjustments.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2 EXPENDITURE AND INCOME ANALYSED BY NATURE

2020/21				2021/22		
Net Cost of Services	Other expenditure and income	Total	Expenditure/Income	Net Cost of Services	Other expenditure and income	Total
£000	£000	£000		£000	£000	£000
			Expenditure			
161,022	0	161,022	Employee benefits expenses	174,015	0	174,015
205,939	0	205,939	Other services expenses	210,132	0	210,132
11,307	1	11,308	Depreciation, amortisation and impairment	21,693	34	21,727
0	18,051	18,051	Interest payments and other similar charges	0	18,886	18,886
0	257	257	Precepts and levies	0	257	257
0	1,311	1,311	Gain or loss on disposal of non-current assets	0	3,375	3,375
378,268	19,620	397,888	Total expenditure	405,840	22,552	428,392
			Income			
(36,532)	(6)	(36,538)	Fees, charges and other service income	(44,044)	(6)	(44,050)
0	(451)	(451)	Interest and investment income	0	(54)	(54)
0	(65,240)	(65,240)	Income from Council Tax and Non-Domestic Rates	0	(74,724)	(74,724)
(204,518)	(108,209)	(312,727)	Government grants and other contributions	(201,875)	(90,884)	(292,759)
(241,050)	(173,906)	(414,956)	Total income	(245,919)	(165,668)	(411,587)
137,218	**(154,286)**	**17,068**	**Surplus or Deficit on the Provision of Services**	**159,921**	**(143,116)**	**16,805**

3 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments in 2021/22	Usable Reserves			Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(21,337)	0	0	21,337
Movements in the fair value of investment properties	(34)	0	0	34
Amortisation of intangible assets	(356)	0	0	356
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	13,484	0	(9,786)	(3,698)
Revenue expenditure funded from capital under statute (REFCUS)	(3,301)	0	0	3,301
Net gain or (loss) on sale or de-recognition of non-current assets / long-term investment	(3,375)	(5,282)	0	8,657
Statutory provision for repayment of debt	6,217	0	0	(6,217)
Capital expenditure charged to the General Fund balance	2,020	0	0	(2,020)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	5,118	0	(5,118)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	9,141	(9,141)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	61	0	0	(61)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(23,174)	0	0	23,174
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	4,856	0	0	(4,856)
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	(1,072)	0	0	1,072
Total adjustments	**(26,011)**	**(164)**	**(645)**	**26,820**

Comparative adjustments in 2020/21	Usable Reserves			Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	£000
Depreciation, impairment and revaluation losses of non-current assets (charged to the surplus or deficit on the provision of services)	(10,898)	0	0	10,898
Movements in the fair value of investment properties	(1)	0	0	1
Amortisation of intangible assets	(409)	0	0	409
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	21,256	0	(10,645)	(10,611)
Revenue expenditure funded from capital under statute (REFCUS)	(2,338)	0	0	2,338
Net gain or (loss) on sale or de-recognition of non-current assets	(932)	(3,049)	0	3,981
Statutory provision for repayment of debt	5,688	0	0	(5,688)
Capital expenditure charged to the General Fund balance	129	0	0	(129)
Use of the capital receipts reserve - set aside to reduce the net indebtedness of the Council	0	3,049	0	(3,049)
Use of grants and contributions received in prior year to finance new capital expenditure	0	0	3,798	(3,798)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	60	0	0	(60)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under the pension scheme regulations	(16,008)	0	0	16,008
Amount by which council tax income and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(12,071)	0	0	12,071
Amount by which officer remuneration calculated in accordance with the Code (i.e. including an accrual for holiday pay) is different from amounts payable in the year in accordance with relevant statutory provisions	(720)	0	0	720
Total adjustments	**(16,244)**	**0**	**(6,847)**	**23,091**

Further information is provided in Note 30 which details the movements on unusable reserves.

4 OTHER OPERATING EXPENDITURE

2020/21 £000		2021/22 £000
190	Parish council funding	190
67	Levies	67
1,311	(Gains)/losses on the disposal of non-current assets	3,375
1,568	**Total**	**3,632**

5 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £000		2021/22 £000
12,478	Interest and other similar charges	11,612
5,573	Pensions net interest and administration costs	7,274
(72)	Interest receivable and similar income	(54)
(5)	Income and expenditure in relation to investment properties and changes in their fair value	28
(379)	Other investment income	0
17,595	**Total**	**18,860**

6 TAXATION AND NON-SPECIFIC GRANT INCOME

The Council credited the following to the Comprehensive Income and Expenditure Statement.

2020/21 £000		2021/22 £000
(88,802)	Non-ring fenced Government grants	(80,017)
(19,407)	Capital grants and contributions	(10,867)
(108,209)	**Total non-specific grant income**	**(90,884)**
(54,652)	Council tax income	(58,211)
(10,588)	Non-domestic rates income	(16,513)
(173,449)	**Total**	**(165,608)**

During the course of 2020/21 and 2021/22 the Government has provided additional resources to Councils to meet the unplanned costs and mitigate some of the financial losses incurred as a result of the Covid-19 pandemic. Details of the Covid-19 related funding reported as non-ring fenced government grants are included in the first table below. In addition, the Government extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic. This resulted in a significant reduction in business rates income due to the Council in 2020/21 and to a lesser extent in 2021/22, which was compensated fully by Government reimbursing local authorities using a grant under section 31 of the Local Government Act 2003.

The non-ring fenced Government grants and capital grants are analysed further in the following tables.

Non-ring fenced Government grants

2020/21 £000		2021/22 £000
(13,522)	Revenue support grant	(13,597)
(24,276)	Top-up grant (business rates retention scheme)	(24,276)
(13,807)	Compensation for loss of business rates income (s31 grant)	(9,029)
(8,471)	Private finance initiative (PFI) revenue grant	(8,471)
(8,103)	Improved Better Care Fund	(8,104)
(4,925)	Social Care grant	(6,551)
0	Local Council Tax Support Grant	(2,127)

(999)	New Homes Bonus grant	(825)
(750)	Housing Benefits and Local Council Tax Support administration grant	(747)
(2)	Other	(317)
	COVID-19 related grants:	
(9,821)	COVID-19 Emergency funding / Local Authority Support Grant	(5,125)
(3,648)	Income Compensation Grant (Sales, Fees and Charges)	(848)
(478)	Local Tax Income Guarantee Scheme	0
(88,802)	**Total**	**(80,017)**

Capital grants and contributions

2020/21 £000		2021/22 £000
(1,433)	Education	(4,559)
(5,195)	Transport	(4,066)
(2,253)	Business, Energy & Industrial Strategy (BEIS)	0
0	Darwen Towns Fund	(1,304)
(1,080)	Other Government grants	(674)
(9,446)	Other contributions	(264)
(19,407)	**Total**	**(10,867)**

7 GRANT INCOME AND CONTRIBUTIONS CREDITED TO COST OF SERVICES

In addition to the non-ring fenced grants, a number of service specific or ring fenced grants were credited to the cost of services. The table below provides further details and includes Covid-19 related funding in relation to:

- Discretionary schemes providing financial assistance to local businesses impacted by local restrictions and national lockdowns.
- Funding for public health teams working to break the chain of Covid-19 transmission and protecting the most vulnerable.
- Support to Adult Social Care providers, to reduce the rate of Covid-19 transmission within and between care settings, and to support timely and safe discharge from hospital into care settings.
- Targeted financial support for children and families to help with the cost of food, energy and water and other associated costs.
- Funding to enable the Council to support the Clinically Extremely Vulnerable and others shown to be most at risk from coronavirus during this period, and to
- Funding to support additional compliance and support activities.

2020/21 £000		2021/22 £000
(101,705)	Dedicated schools grant	(107,681)
(5,985)	Pupil premium grant	(6,000)
(14,939)	Public health grant	(15,063)
(35,429)	Rent allowances / Rent rebate subsidy and Discretionary housing payments (DHP)	(33,180)
(14,066)	Other government grants	(14,781)

	COVID-19 related grants:	
(6,306)	Funding for discretionary grant support to local businesses	(2,401)
(4,854)	Test & Trace Service support grant/Contain Outbreak Management Fund (COMF)	(2,546)
(2,194)	Council Tax Hardship Fund grant	0
(1,081)	Infection Control Grant (discretionary element)	(1,762)
(621)	Support for children and families (Winter Grant/COVID Local Support Scheme)	(997)
(2,324)	Other Covid-19 related grants	(2,202)
(804)	Contributions from other local authorities	(503)
(8,701)	Contributions from other public sector bodies	(10,468)
(3,660)	Other contributions	(1,674)
(1,849)	Funding of REFCUS expenditure from grants and contributions	(2,617)
(204,518)	**Total**	**(201,875)**

Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2020/21 and 2021/22 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2020/21 before academy and high needs recoupment			**(164,669)**
Academy and high needs figure recouped for 2020/21			**62,964**
Total DSG after academy and high needs recoupment for 2020/21			**(101,705)**
Plus: Brought forward from 2019/20			**(3,841)**
Agreed initial budgeted distribution in 2020/21	**(39,844)**	**(65,702)**	**(105,546)**
In year adjustments	0	0	0
Final budgeted distribution for 2020/21	**(39,844)**	**(65,702)**	**(105,546)**
Less: Actual central expenditure relating to DSG	36,169	0	**36,169**
Less: Actual ISB deployed to schools	0	65,702	**65,702**
Carry forward to 2021/22	**(3,675)**	**0**	**(3,675)**
Final DSG for 2021/22 before academy and high needs recoupment			**(176,589)**
Academy and high needs figure recouped for 2021/22			**68,908**
Total DSG after academy recoupment for 2021/22			**(107,681)**
Brought forward from 2020/21			**(3,674)**
Agreed initial budgeted distribution in 2021/22	**(42,075)**	**(69,280)**	**(111,355)**
In year adjustments	0	0	0
Final budgeted distribution for 2021/22	**(42,075)**	**(69,280)**	**(111,355)**
Less: Actual central expenditure relating to DSG	37,753	0	**37,753**
Less: Actual ISB deployed to schools	0	69,280	**69,280**
In-year carry forward to 2022/23	**(4,322)**	**0**	**(4,322)**

8 OFFICERS' REMUNERATION

The Council is required to disclose remuneration for all employees earning over £50,000 with additional disclosures for senior officers. The number of other employees whose remuneration, excluding pension contributions, exceeded £50,000 during the year is set out in the following tables. The total of 225 includes 143 teachers (198 including 125 teachers in 2020/21).

No of Employees 2020/21	Remuneration Banding	No of Employees 2021/22
74	50,000 to 54,999	81
34	55,000 to 59,999	47
38	60,000 to 64,999	38
31	65,000 to 69,999	28
12	70,000 to 74,999	23
3	75,000 to 79,999	4
4	80,000 to 84,999	2
1	85,000 to 89,999	2
0	90,000 to 94,999	0
0	95,000 to 99,999	0
0	100,000 to 104,999	0
0	105,000 to 109,999	0
1	110,000 to 114,999	0
198	**Total**	**225**

The following tables provide an analysis by job title of the remuneration and employer's pension scheme contributions in respect of senior officers, which includes the Council's Chief Executive and the Chief Officers within the Corporate Leadership Team, for 2021/22 and 2020/21. These posts are in addition to those included in the previous table.

2021/22

Post holder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service – Denise Park		168	0	0	168	26	**194**
Strategic Director Adults & Health	2	110	0	10	120	18	**138**
Strategic Director Children & Education		123	0	0	123	20	**143**
Strategic Director Growth & Development	3	104	0	0	104	17	**121**
Strategic Director Environment & Operations	4	102	0	0	102	17	**119**
Strategic Director Resources		106	0	0	106	18	**124**
Director Public Health	5	106	0	10	116	15	**131**
Director Finance	6	62	0	0	62	10	**72**
Director HR, Governance & Engagement	7	51	0	0	51	8	**59**
Growth Programme Director		115	0	0	115	19	**134**
Deputy Director Adult Social Care		82	0	0	82	14	**96**
Deputy Director Children's Social Care	8	44	0	0	44	7	**51**
Deputy Director Education & Schools		88	0	0	88	14	**102**
Deputy Director Legal & Governance		80	0	0	80	12	**92**
Assistant Director Chief Exec's		74	0	0	74	12	**86**

1. During 2021/22 the Council's departmental structure was amended slightly following the resignation and retirement of a number of senior officers and the Corporate Leadership Team was extended to reflect a some additional posts
2. The Strategic Director Adults & Health left the Council's employment with effect from 28 February 2022
3. This post was designated as Strategic Director Place in 2020/21
4. This post was designated as Director Place in 2020/21

5. The Director of Public Health left the Council's employment with effect from 31 March 2022
6. The current Director of Finance commenced employment with the Council on 23 August 2021 (the previous post holder left the Council's employment with effect from 25 April 2021)
7. The Director of HR, Governance & Engagement left the Council's employment with effect from 12 September 2021
8. The Deputy Director Children's Social Care commenced employment with the Council on 20 September 2021

2020/21

Post holder	Note	Salary, Fees and Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excluding Pension Contributions £000	Pension Contribution £000	Total Remuneration including Pension Contribution £000
Chief Executive – Head of Paid Service – Denise Park		153	0	0	153	23	**176**
Strategic Director Adults & Health		116	0	0	116	17	**133**
Strategic Director Children & Education		119	0	0	119	17	**136**
Strategic Director Place		101	0	0	101	15	**116**
Strategic Director Resources		99	0	0	99	14	**113**
Director Public Health		109	0	0	109	16	**125**
Director Place		100	0	0	100	15	**115**
Director Finance		101	0	0	101	15	**116**
Director HR, Governance & Engagement		100	0	0	100	15	**115**
Growth Programme Director		115	0	0	115	17	**132**

Termination benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The total cost of an exit package includes:

- All relevant redundancy costs – compulsory and voluntary
- Pension contributions in respect of added years (pension strain)
- Ex gratia payments
- Other departure costs (e.g. pay in lieu of notice, outstanding holiday pay)

	No. Compulsory Redundancies		No. Other Exit Packages		Total Number		Total Cost £000	
Banding	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**
0 to 20,000	1	0	34	48	35	48	286	236
20,001 to 40,000	0	0	3	3	3	3	72	85
40,001 to 60,000	1	0	1	0	2	0	80	0
60,001 to 80,000	0	0	1	0	1	0	77	0
80,001 to 100,000	0	0	0	0	0	0	0	0
100,001 to 150,000	0	0	0	0	0	0	0	0
Total	**2**	**0**	**39**	**51**	**41**	**51**	**515**	**321**

9 MEMBERS' ALLOWANCES

2020/21 £000		2021/22 £000
548	Allowances payable to Members	580
3	Expenses payable to Members	3
551	**Total**	**583**

10 EXTERNAL AUDIT COSTS

The Council incurred the following fees relating to external audit.

2020/21 £000		2021/22 £000
166	Fees incurred with regard to external audit services provided by Grant Thornton UK LLP	160
17	Fees incurred for the certification of grant claims and returns by Grant Thornton UK LLP	23
183	**Total**	**183**

11 TRADING OPERATIONS

Trading operations included within the cost of services are the markets operations in both Blackburn and Darwen. The expenditure and income in relation to these trading operations is included within the Growth and Development portfolio.

2020/21 £000		2021/22 £000
(1,273)	Turnover	(964)
2,968	Expenditure	3,146
1,695	**(Surplus)/deficit**	**2,182**

12 EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts were authorised for issue by the Council's Director of Finance on 1st September 2022. Events taking place after this date are not reflected in the financial statements or notes, but disclosure is required of the nature of any such the events and their estimated financial effect.

Accounting for infrastructure assets

Accounting for infrastructure in local government has not historically been considered to be an area of significant accounting estimate due to the use of a historical cost basis of accounting. Audit network discussions convened by the National Audit Office have raised concerns that authorities are not applying component accounting requirements in these circumstances. The issue relates to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken and the associated reporting of gross historical cost and accumulated depreciation.

Normal custom and practice for (highways) infrastructure assets in the public sector is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place, this does require that assets are properly depreciated in line with the requirements of the Accounting Code.

During the financial year 2022/23, CIPFA established a task and finish group to address this issue, and at the end of November 2022, CIPFA issued its Update to the Code and Specifications for Future Codes for Infrastructure Assets. This was followed by an amendment to The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("the 2003 Regulations"), which relates to infrastructure assets. The amendment comes into force from 25th December 2022 and applies only in respect of statements of accounts for financial years beginning on or before 1st April 2024, and only in respect of statements of accounts which have not already been certified by a local auditor.

Amendments to Section 4.1 of the Code include a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021/22 Code up to and including the Code applicable to the 2024/25 financial year where the auditor's opinion on those accounts had not been given before the Code update was issued.

The Mall lease

The sale of The Mall shopping centre in Blackburn to the retail arm of the Adhan Group of companies was completed in June/July 2022. The sale was subject to the Council's consent as freeholder, and transfer of the leases was completed on 9 August 2022. The arrangements for the sale has no bearing on the Council's accounting transactions in relation to income receivable under the terms of those leases.

Blackburn Bus Station legal case

A legal case has been brought against the Council by the administrators of Thomas Barnes and Sons Plc over the premature termination of the contract to build Blackburn Bus Station. The company was engaged to construct the bus station in 2014, but the project was plagued by problems and delays and the contract was terminated early. In November 2015 the company went out of business and the administrators started a case for compensation in the High Court for damages for breach of contract by Blackburn with Darwen Council, and seeking a payment of up to £1.7 million. The court case was heard in July 2022 and on 17 October 2022, the Court handed down its judgement in favour of the Council, dismissing Barnes' claim.

13 PROPERTY, PLANT AND EQUIPMENT

All operational land and buildings are revalued on a five year rolling programme by a professional valuer within the Council's in-house property team, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). All properties within the same category, e.g. industrial estates, are revalued in the same year, which ensures that valuations are consistent across the category.

In order to provide assurance that the value of assets in the Council's Balance Sheet is not materially different from the amount that would be given by a full valuation of all operational land and buildings each year, the Council discusses local market forces with the valuer and commissions additional valuations where appropriate, for example:

- where new construction or significant enhancement of assets has completed during the year;
- where the annual impairment review indicates other changes in valuation due to specific circumstances;
- where individual assets of significant value have not been valued for some time.

In addition, a review of the potential variance in the Balance Sheet values of the remaining operational land and buildings, not subject to revaluation during the financial year, is done. The review combines the use of national indices to model potential valuation movements over the five year valuation period, with an assessment of local market conditions and how that compares with national trends. The result of the assessment did not require a change in the values used within the Council's Balance Sheet.

The basis of valuation is set out in the accounting policies.

Movements in the property, plant and equipment valuations are detailed in the following tables, however, in accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets the tables do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The movement in the net book value of infrastructure assets is detailed in a separate table.

As a result of previous accounting requirements for infrastructure assets, there are significant information deficits which mean that the gross cost and accumulated depreciation figures held for infrastructure assets may not be materially correct, due to being unable to identify and therefore derecognise components of these assets as they have been replaced. In line with the amendments to the 2003 Regulations, where a component of an infrastructure asset has been replaced, the Council has assumed that the carrying amount of the component to be derecognised is zero (new regulation 30M(3)).

During 2021/22 financial year, the useful lives of all infrastructure assets have been reviewed and updated, which has had a material impact of the carrying values of those assets. The change has been made prospectively in 2021/22 accounts – in line with new regulation 30M(2) of the amended regulations, which provides that a prior period adjustment is not required.

Property, plant and equipment - movements in 2021/22

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2021	**237,499**	**20,444**	**7,509**	**16,119**	**15,337**	**296,908**
Additions	1,280	1,707	0	50	5,800	8,837
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15,399	0	0	(525)	0	14,874
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(9,403)	0	0	0	0	(9,403)
Derecognition / disposals	(4,682)	(509)	(2,602)	(1,379)	0	(9,172)
Assets reclassified	3,166	(296)	0	0	(4,713)	(1,843)
Other movements	0	0	0	0	0	0
At 31 March 2022	**243,259**	**21,346**	**4,907**	**14,265**	**16,424**	**300,201**
Accumulated depreciation						
At 1 April 2021	**(6,883)**	**(8,952)**	**0**	**1**	**0**	**(15,834)**
Depreciation charge	(4,564)	(2,221)	0	(14)	0	(6,799)
Depreciation written out to the Revaluation Reserve	1,618	0	0	2	0	1,620
Depreciation written out to the surplus/deficit on the provision of services	1,421	0	0	11	0	1,432
Derecognition / disposals	23	492	0	0	0	515
Assets reclassified	0	(5)	0	0	0	(5)
Other movements	0	0	0	0	0	0
At 31 March 2022	**(8,385)**	**(10,686)**	**0**	**0**	**0**	**(19,071)**
Net book value						
At 1 April 2021	**230,616**	**11,492**	**7,509**	**16,120**	**15,337**	**281,074**
At 31 March 2022	**241,934**	**10,660**	**4,907**	**14,265**	**16,424**	**288,190**

Property, plant and equipment - comparative movements in 2020/21

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2020	**230,420**	**29,666**	**7,509**	**15,441**	**23,130**	**306,166**
Additions	175	1,718	0	17	14,028	15,938
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(586)	0	0	72	0	(514)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(1,538)	0	0	(627)	0	(2,165)
Derecognition / disposals	(1,918)	(11,682)	0	(1)	0	(13,601)
Assets reclassified	11,054	742	0	1,217	(21,821)	(8,808)
Other movements	(108)	0	0	0	0	(108)
At 31 March 2021	**237,499**	**20,444**	**7,509**	**16,119**	**15,337**	**296,908**
Accumulated depreciation						
At 1 April 2020	**(8,222)**	**(18,045)**	**0**	**(1)**	**0**	**(26,268)**
Depreciation charge	(4,289)	(1,071)	0	(46)	0	(5,406)
Depreciation written out to the Revaluation Reserve	2,830	0	0	2	0	2,832
Depreciation written out to the surplus/deficit on the provision of services	2,533	0	0	45	0	2,578
Derecognition / disposals	157	10,164	0	1	0	10,322
Assets reclassified	0	0	0	0	0	0
Other movements	108	0	0	0	0	108
At 31 March 2021	**(6,883)**	**(8,952)**	**0**	**1**	**0**	**(15,834)**
Net book value						
At 1 April 2020	**222,198**	**11,621**	**7,509**	**15,440**	**23,130**	**279,898**
At 31 March 2021	**230,616**	**11,492**	**7,509**	**16,120**	**15,337**	**281,074**

Infrastructure Assets – movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has reviewed the information held on infrastructure assets in the asset register and individual assets under appropriate sub-categories. Due to the complexity and volume of capital works undertaken on infrastructure assets the Council believes it is not practical to include such assets in the asset register at a road by road level.

2020/21 £000		2021/22 £000
135,711	**Net book value at 1 April**	**141,263**
2,649	Additions	2,438
0	Derecognition / disposals	0
8,808	Assets reclassified	1,379
(5,905)	Depreciation charge	(8,657)
141,263	**Net book value at 31 March**	**136,423**

The balance for Infrastructure Assets at 1 April 2019 has been restated to add one item of street art formerly included within Heritage Assets.

Property, plant and equipment assets as presented on the Council's Balance Sheet are made up of the following balances:

31 March 2021 £000		31 March 2022 £000
141,263	Infrastructure assets	136,423
281,074	Other Property, plant and equipment	288,190
422,337	**Total Property, plant and equipment assets**	**424,613**

Property, plant and equipment revaluations

	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	**0**	**21,346**	**4,907**	**0**	**16,424**	**42,677**
Valued at current value (fair value for surplus assets) at:						
At 31 March 2022	204,470	0	0	14,265	0	218,735
At 31 March 2021	21,358	0	0	0	0	21,358
At 31 March 2020	4,122	0	0	0	0	4,122
At 31 March 2019	5,511	0	0	0	0	5,511
At 31 March 2018	6,472	0	0	0	0	6,472
Total cost or valuation	**241,933**	**21,346**	**4,907**	**14,265**	**16,424**	**298,875**

Revaluation losses / (gains)

For 2021/22 there were five individual revaluation decreases / (increases) recognised in the surplus or deficit on the provision of services that were in excess of £1 million.

Property	£000
Fielden Street Car Park	1,492
Audley Junior School	(1,220)
Cedars Primary School	(1,621)
Reel Cinema	(3,960)
Roe Lee Park Primary School	(1,378)

In 2020/21, there was one large revaluation decrease:

Property	£000
Reel Cinema Undercroft Car Park	1,708

Surplus Assets – Fair Value Hierarchy

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000
Residential land	0	13,550	0	13,550
Office units	0	130	0	130
Retail	0	585	0	585
Total	**0**	**14,265**	**0**	**14,265**

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£000	£000	£000	£000
Residential land	0	15,294	0	15,294
Office units	0	100	0	100
Retail	0	725	0	725
Total	**0**	**16,119**	**0**	**16,119**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Surplus Assets

The fair value for surplus land and property assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

14 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it.

This statement incorporates details of the movements in the capital financing requirement (CFR). This is a measure of the capital expenditure historically incurred by the Council that has yet to be financed. This will be discharged by future charges to revenue.

31 March 2021 £000		31 March 2022 £000
300,743	**Opening capital financing requirement**	**298,541**
	Capital investment	
18,587	Property, plant and equipment	11,275
123	Intangible assets	1,232
2,338	Revenue expenditure funded from capital under statute	3,301
25	Capital investments / loans	1,465
21,073	**Total capital investment**	**17,273**
	Sources of finance	
(3,049)	Capital receipts – set aside to reduce net indebtedness	(5,118)
(14,409)	Government grants and other contributions	(12,839)
	Sums set aside from revenue:	
(129)	Direct revenue contributions	(2,020)
(5,688)	Minimum revenue provision (MRP) for debt repayment	(6,217)
298,541	**Closing capital financing requirement**	**289,620**
	Explanation of movement in year	
(2,202)	Increase / (reduction) in underlying need to borrow (unsupported by Government financial assistance)	(8,921)
(2,202)	**Total movement**	**(8,921)**

Capital Commitments

At 31 March 2022 the Council had not yet entered into any significant contracts for the construction or enhancement of property, plant and equipment in 2022/23 or future years. The Council had, however, issued Compulsory Purchase Orders (CPOs) in relation to a number of empty properties for which claims for compensation are either being processed or expected.

15 SCHOOLS ASSETS

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. As the Council controls the management and running of community and foundation schools, the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet. Whereas, the land and buildings of voluntary aided, voluntary controlled, academy and free schools are owned and controlled by the trustees of the schools or the equivalent body and are, therefore, not shown on the Council's Balance Sheet.

Schools on the Council's Balance Sheet

31 March 2021			31 March 2022	
Number of Schools	Value of Land and Buildings £000		Number of Schools	Value of Land and Buildings £000
20	62,307	Community schools	20	62,350
1	2,267	Foundation schools	1	3,440
1	3,812	Pupil referral units (PRU)	1	3,090
22	**68,383**	**Total**	**22**	**68,880**

Schools off the Council's Balance Sheet

2020/21 Number of Schools		2021/22 Number of Schools
16	Academy	16
5	Free	5
25	Voluntary aided	25
4	Voluntary controlled	4
50	**Total**	**50**

There have been no academy conversions during the financial years 2020/21 and 2021/22.

The Building Schools for Future programme included the construction and operation of four schools under PFI contracts. Initially, the assets for all four community and foundation schools subject to PFI contracts were shown on the Council's Balance Sheet together with the related liability. Subsequently all four of the schools, Pleckgate, Witton Park and Blackburn Central High Schools, and Crosshill Special School, have converted to academy status. The assets relating to these four schools have been removed from the Council's Balance Sheet however the PFI liabilities for all PFI schools remain on as the Council is the party to the contract with the PFI operator.

The Council receives grant funding from Central Government to cover the capital cost of the PFI liability. There is a formal agreement with the Academy Trust to cover the shortfall between the full liability and the grant, therefore, there is no change in the nature of the existing liability and hence no adjustments were made in the current financial year. Should there be changes in Government policy or the status or viability of the Academies in the future that impact on how the existing guarantees operate, the accounting policy will be reviewed and amended if necessary. Based on current information and projections of pupil numbers no changes are likely over the short to medium term.

16 HERITAGE ASSETS

Heritage assets are non-current assets held principally for their contribution to knowledge and culture. In particular such assets increase the understanding and appreciation of the Council's history and that of the local area.

The current accounting policy recognises one amount for all Heritage Assets based on the current insurance valuation as quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

Movements in Heritage Assets during 2020/21 and 2021/22 are detailed in the following table:

2020/21 £000		2021/22 £000
35,616	**Balance at 1 April**	**37,089**
1,473	Net gains/(losses) from valuation movements	2,243
37,089	**Balance at 31 March**	**39,332**

17 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

2020/21 £000		2021/22 £000
(6)	Rental income from investment property	(6)
1	Changes in the fair value of investment property	34
(5)	**Net (gain)/loss**	**28**

The following table summarises the movement in the fair value of investment properties over the year:

2020/21 £000		2021/22 £000
50	**Balance at 1 April**	**49**
(1)	Net gains/(losses) from fair value adjustments	(34)
0	Transfer (to)/from Property, Plant & Equipment	0
49	**Balance at 31 March**	**15**

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account existing lease terms and rentals, research into market evidence including market rentals and yields, and data and market knowledge gained in managing the Council's property portfolio. Market conditions are such that the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. See Accounting Policies – Fair Value Measurement for further details of the fair value hierarchy.

18 INTANGIBLE ASSETS

The only type of asset that is accounted for as intangible is IT software. Where the software is an integral part of a particular piece of hardware, the two items are treated as one property, plant and equipment asset.

The movement on intangible asset balances during the year is as follows:

2020/21 £000		2021/22 £000
	Gross carrying amount	
3,075	Balance at 1 April	3,102
123	Purchases	1,232
0	Assets reclassified from assets under construction	469
(96)	Disposals	(586)
3,102	**Balance at 31 March**	**4,217**
	Accumulated amortisation	
(1,863)	Balance at 1 April	(2,176)
(409)	Amortisation	(356)
96	Disposals	586
0	Other movements in amortisation	0
(2,176)	**Balance at 31 March**	**(1,946)**
	Net carrying amount	
1,212	Balance at 1 April	926
926	**Balance at 31 March**	**2,271**

19 LONG TERM INVESTMENTS

31 March 2021 £000		31 March 2022 £000
0	Town Centre (SPV) Development Company (Maple Grove Blackburn Limited)	1,213
525	Joint Venture Development Company (Barnfield Blackburn Limited)	777
50	Local Capital Finance Company Limited	50
575	**Total**	**2,040**

20 LONG TERM DEBTORS

31 March 2021 £000		31 March 2022 £000
1,010	Nursing/residential property charges	789
398	Loan to Lancashire County Developments Limited	417
19	Cycle scheme loans to Council employees	14
19	Property Refurbishment loans	19
5	Other loans	2
1,451	**Total**	**1,241**

21 SHORT TERM DEBTORS

31 March 2021 £000		31 March 2022 £000
	Debtors classed as Financial Instruments	
12,780	Trade receivables	16,261
(5,008)	Impairment allowance	(5,450)
7,772		**10,811**
	Debtors not classed as Financial Instruments	
11,702	Council tax	12,431
1,526	Non-domestic rates	1,764
3,050	Payments in advance	3,068
22,578	Other receivables	13,559
	Impairment allowance:	
(9,475)	Council tax	(10,561)
(1,211)	Non-domestic rates	(1,554)
(2,530)	Overpaid housing benefit	(2,195)
33,412	**Total**	**27,323**

The reduction in the balance of *"Other receivables"* in the table above is largely due to the scaling back of measures to mitigate some of the financial losses incurred as a result of the Covid-19 pandemic. Extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses, resulted in a significant reduction in business rates income due to the Council in 2020/21. This in turn resulted in a larger than usual deficit on the Business Rates Collection Fund, and a significant swing in the Collection Fund accounting adjustments required to eliminate central and preceptor shares of business rates balances from the Council's Comprehensive Income and Expenditure Statement and Balance Sheet (see Note 29 - Collection Fund Adjustment Account).

During 2021/22, although some extended business rates reliefs continued it was to a lesser extent and the resulting impact was significantly less than in the previous year. The Collection Fund accounting adjustments are lower for 2021/22 causing a swing in the opposite direction as the Council's share of business rates income has increased and the resulting deficit on the Business Rates Collection Fund reduced.

22 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
31	Cash held by the Council	31
6,958	Bank current accounts	6,605
25,178	Short term deposits with banks and building societies	32,280
32,167	**Total**	**38,916**
(7,656)	Bank overdraft	(3,020)
24,511	**Total**	**35,896**

23 SHORT TERM CREDITORS

31 March 2021 £000		31 March 2022 £000
	Creditors classed as Financial Instruments	
(17,118)	Trade payables	(21,641)
(1,859)	Other payables – PFI arrangement	(2,217)
(18,977)		**(23,858)**
	Creditors not classed as Financial Instruments	
(1,640)	Council tax	(1,677)
(187)	Non-domestic rates	(211)
(1,472)	Receipts in advance	(1,330)
(25,855)	Other payables	(27,939)
(48,131)	**Total**	**(55,015)**

The balance of "Other payables" in the table above increased significantly in 2020/21 due to the impact of extended business rates reliefs to help retail, leisure, hospitality, and nursery businesses through the pandemic. Grant compensation, paid under section 31 of the Local Government Act 2003, was paid "up front " by government with the excess balance, which was due to be repaid to central government, being included within "Other payables" as at 31 March 2021.

During 2021/22, although some extended business rates reliefs continued it was to a lesser extent. Despite this, the balance of "Other payables" increased further largely due to the impact of central government providing funding in advance for onward distribution to individuals for the Energy Rebate Scheme, where payments were due to be made in 2022/23.

24 PROVISIONS

	Non-domestic Rates Appeals £000	Insurance Claims £000	Municipal Mutual Insurance Limited (MMI) £000	Legal Claims £000	Total £000
Balance at 31 March 2021	**(1,637)**	**(918)**	**(320)**	**0**	**(2,875)**
Additional provisions made	(1,377)	(93)	(10)	(995)	(2,475)
Amounts used	729	67	7	161	964
Unused amounts reversed	0	0	0	0	0
Balance at 31 March 2022	**(2,285)**	**(944)**	**(323)**	**(834)**	**(4,386)**

Further details of the individual provisions are shown below.

Provision	
Non-domestic rates appeals	The Council, as Billing Authority for the Blackburn with Darwen area, is required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The total provision is calculated by the Billing Authority on behalf of the major preceptors (Lancashire Combined Fire Authority, Central Government and the Council). The amount appearing in the Balance Sheet has been adjusted to include only the Council's share of the provision. A further adjustment reflects the impact of a change in the Council's share back to 49% from 73.5%. This increase in the Council's share of retained business rates was for the year 2019/20 only, due to it joining with 13 of the other 14 councils across Lancashire to form a 75% Business Rates Retention (BRR) Pool Pilot.
Insurance claims	Funds are set aside to cover liability claims in respect of highways third party liability, vehicle insurance, employer's liability, public liability and buildings insurance claims which are below the insurance excess and self-insured limit.
Municipal Mutual Insurance Limited (MMI)	Provision in respect of MMI for costs due to be paid under the Scheme of Arrangement for managing the outstanding liabilities resulting from claims being made.
Legal claims	Provision created 2021/22 to cover future legal fees due to be paid as a result of ongoing legal claims.

25 FINANCIAL INSTRUMENTS

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or entity instrument of another entity. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments.

Financial assets - balances

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost, comprising:

- Investments, including loans to banks, building societies and other local authorities
- cash in hand and bank current and deposit accounts
- trade receivables for goods and services provided (including leases)

Fair value through profit and loss (FVPL), comprising:

- investments in Money Market Funds, which are shown at fair value as investments with a quoted market price

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2021 £000				31 March 2022 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
575	34,000	**34,575**	Investments - principal	2,040	10,000	**12,040**
0	18	**18**	Accrued interest on the above	0	40	**40**
575	**34,018**	**34,593**	**Total investments**	**2,040**	**10,040**	**12,080**
0	11,767	**11,767**	Cash and cash equivalents - principal	0	9,883	**9,883**
0	0	**0**	Accrued interest on the above	0	0	**0**
0	20,400	**20,400**	Cash and cash equivalents at fair value through profit and loss (FVPL)	0	29,025	**29,025**
0	0	**0**	Accrued interest on the above	0	8	**8**
0	**32,167**	**32,167**	**Total cash and cash equivalents**	**0**	**38,916**	**38,916**
1,451	12,780	**14,231**	Other trade receivables	1,241	16,261	**17,502**
0	(5,008)	**(5,008)**	Loss allowance against trade receivables	0	(5,450)	**(5,450)**
1,451	**7,772**	**9,223**	**Total trade receivables**	**1,241**	**10,811**	**12,052**
2,026	**73,957**	**75,983**	**Total financial assets**	**3,281**	**59,767**	**63,048**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost, and comprise:

- long-term loans from the Public Works Loan Board (PWLB)
- short-term loans from other local authorities
- bank overdraft
- lease payables, detailed in Note 28
- Private Finance Initiative (PFI) contracts, detailed in Note 27
- trade payables for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2021 £000				31 March 2022 £000		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
(141,779)	(82,153)	**(223,932)**	Principal sum borrowed	(138,231)	(23,560)	**(161,791)**
0	(354)	**(354)**	Accrued interest	0	(462)	**(462)**
(369)	0	**(369)**	Effective interest rate (EIR) adjustments **	(361)	0	**(361)**
(142,148)	**(82,507)**	**(224,655)**	**Total borrowing**	**(138,592)**	**(24,022)**	**(162,614)**
0	(7,656)	**(7,656)**	Bank overdraft	0	(3,020)	**(3,020)**

(59,744)	(1,859)	**(61,603)**	PFI arrangements	(57,527)	(2,217)	**(59,744)**
0	(17,118)	**(17,118)**	Trade payables	0	(21,641)	**(21,641)**
(201,892)	**(109,140)**	**(311,032)**	**Total financial liabilities**	**(196,119)**	**(50,900)**	**(247,019)**

** EIR adjustments to market loans with "stepped" interest rates, to average out their cost over the life of the loans. The adjustments made to the carrying values each year impact on the Financial Instruments Adjustments Account (Note 29)

Financial instruments - gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

2020/21					**2021/22**			
Financial Liabilities at amortised cost £000	**Financial Assets at amortised cost £000**	**Financial Assets at fair value through profit & loss £000**	**Total £000**		**Financial Liabilities at amortised cost £000**	**Financial Assets at amortised cost £000**	**Financial Assets at fair value through profit & loss £000**	**Total £000**
5,909	0	0	5,909	Interest on PFI payments	5,723	0	0	5,723
6,569	0	0	6,569	Interest on loans	5,889	0	0	5,889
12,478	**0**	**0**	**12,478**	**Total expense**	**11,612**	**0**	**0**	**11,612**
0	(50)	(22)	**(72)**	Other interest	0	(36)	(18)	**(54)**
0	(379)	0	**(379)**	Gain on sale of investment	0	0	0	**0**
0	**(429)**	**(22)**	**(451)**	**Total income**	**0**	**(36)**	**(18)**	**(54)**
12,478	**(429)**	**(22)**	**12,027**	**Net impact on surplus / deficit on provision of services**	**11,612**	**(36)**	**(18)**	**11,558**

Fair value of financial instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For Money Market Fund holdings, included in financial assets, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at of the instrument at 31 March 2022, using the following methods and assumptions:

- Loans taken by the Council, including PWLB loans, have been valued at market rates reflecting local authority credit-worthiness.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a standard commercial model. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of PFI scheme liabilities were prepared by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.

- The fair values of other long-term loans and investments were estimated using market rates for similar instruments with similar remaining terms to maturity.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- No early repayment or impairment is recognised for any financial instrument.

Fair values are shown in the table below, split by their level in the **fair value hierarchy**:

- **Level 1** – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- **Level 2** – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- **Level 3** – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Fair values were prepared by the Council's treasury advisors. Where no fair values are shown, any differences were immaterial.

31 March 2021 £000			Fair value level		31 March 2022 £000		
Carrying Value £000	Fair Value £000	Difference £000		Financial Assets	Carrying Value £000	Fair Value £000	Difference £000
(127,432)	(167,840)	**(40,408)**	2	PWLB loans	(123,540)	(145,697)	**(22,157)**
(18,600)	(28,036)	**(9,436)**	2	Market loans (some with call options)	(18,592)	(24,926)	**(6,334)**
(270)	(270)	**0**	2	Other stock	(270)	(270)	**0**
(78,353)	(78,440)	**(87)**	2	Short term borrowing	(20,017)	(19,982)	**35**
(224,655)	**(274,586)**	**(49,931)**		**Total Borrowing**	**(162,419)**	**(190,875)**	**(28,456)**
(61,603)	(104,748)	**(43,145)**	2	PFI liabilities	(59,744)	(91,232)	**(31,488)**

The overall fair value of the Council's financial liabilities is higher than the carrying amount because, predominantly, the interest rates payable on them are higher than the rates that were available for comparable debt at the balance sheet date. This increases the amount that the Council would have to pay to settle the liabilities early.

Risks arising from financial instruments

The Council's activities expose it to a variety of financial risks, and these are recognised in the Risk Register. Treasury risks are additionally monitored by Audit and Governance Committee and by a central Treasury Management Group, working within a framework set for each year by the Treasury Management Strategy. Treasury Management Practices specify practical operational arrangements.

The main risks are:

- Credit risk – other parties may fail to pay amounts due to the Council
- Liquidity risk – the Council may not have funds available to make payments on time
- Market risk – financial loss may arise as a result of changes in financial markets, e.g. movements in interest rates

Credit risk

Investments

The Council has not suffered any loss due to default by financial institutions, and has controls in place to minimise the risk of default.

Limits are set as to the duration of loans and amounts invested, based on independently monitored credit ratings for financial institutions. This lending list is reviewed frequently in line with the latest information from the Council's treasury advisors. The categories of investment made and key limits applied to them were:

- high rated money market funds – instant access (upper limit £5 million per fund)
- credit rated banks and building societies – limits ranging from minimum rating A- (limits £3 million and 4 months) to minimum rating AA (limits £5 million and 9 months)
- the Council's current bank (minimum BBB) or unrated building societies (maximum £1 million and 4 months), both subject to additional credit-worthiness assessments
- deposits with other local authorities (limits £5 million and 364 days)
- deposits with the Government's Debt Management Office (no limit)

Limits were also applied to investments in foreign-domiciled banks, and to overall balances in the building society sector. Separate criteria applied to longer term investments (over one year), but no long term investments were made during the year.

At the end of the year the Council's investments portfolio was placed as follows:

31 March 2021 £000	Investment Portfolio	31 March 2022 £000
	Short term investments	
0	Debt Management Office	0
34,000	Other local authorities	10,000
0	A rated banks/building societies	0
0	Low rated building societies	0
34,000	**Total short term investments**	**10,000**
	Short term deposits with banks and building societies	
20,400	AAA rated Money Market Funds	29,025
0	AA- rated bank	0
3,000	A+ rated bank	10
0	A rated bank	0
1,233	Council's current account	3,135
24,633	**Total short term deposits**	**32,170**

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed in a general way because the risk of any institution failing to repay funds owed will be specific for individual institutions. Recent experience shows that it is rare for such entities to fail to meet their commitments. There is a risk of non-recovery for all of the Council's deposits, but no evidence that this risk is likely to be realised, therefore, no separate provision for loss has been made in the accounts.

The Council has continued to limit the amount of borrowing undertaken, thereby reducing the potential credit risk arising from placing deposits.

Trade receivables

Credit risk for trade receivables is managed in various ways. Risk on lease income is mitigated by legal ownership of the assets leased, with the option to repossess in the event of debtor default. Arrears are managed by encouraging payment by direct debit and taking recovery action in respect of arrears that do arise. The Council nonetheless recognises the risk of exposure to non-payment and makes provision accordingly, as shown in the following table:

31 March 2021 £000			31 March 2022 £000	
Value of debt	Provision		Value of debt	Provision
12,780	(5,008)	Trade receivables	16,261	(5,450)

Included in the previous table were debts past their due date for payment, broken down by age as follows:

31 March 2021 £000	Aged of Debt	31 March 2022 £000
6,642	Less than 3 months	8,767
1,459	3 – 12 months	1,413
1,452	1 to 2 years	2,200
3,227	Over 2 years	3,881
12,780	**Total**	**16,261**

Liquidity risk

The Council's day to day cash flows are monitored closely and projections continually updated. The Council's Investment Strategy, whilst prioritising the security of investments and seeking to optimise net interest earned, also ensures that sufficient funds are maintained on call or for short durations to allow payments to be made when necessary. The good standing of all local authorities as credit risks and the prudent management of the Council's budget as a whole ensures that the Council is in a position to borrow short term to meet day to day expenses when and if necessary.

The Council has ready access to borrowing from the PWLB and other local authorities. As a result there is no significant risk that the Council will be unable to raise funds to meet its long term financial commitments. The main longer term risk is that the Council may find itself having to replenish a significant part of its borrowings at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans and limiting the amount of debt maturing in any one year.

The maturity analysis of principal sums borrowed is as follows:

31 March 2021 £000		31 March 2022 £000
(82,507)	Under 1 year	(24,022)
(82,507)	**Total short term borrowing**	**(24,022)**
(3,547)	Maturing in 1 to 2 years	(3,366)
(21,734)	Maturing in 3 to 5 years	(24,552)
(27,431)	Maturing in 6 to 10 years	(22,602)
(89,436)	Maturing in more than 10 years	(88,072)
(142,148)	**Total long term borrowing**	**(138,592)**
(224,655)	**Total borrowing**	**(162,614)**

The Council has £13 million of "Lender's Option, Borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council would then have the option to accept the new rate or repay the loan without penalty. It is likely that these options will not be taken up, therefore, the above table assumes they will not be repaid until their final maturity dates.

Market risk

The main market risk facing the Council is of adverse movement in interest rates. The Council has a number of strategies to manage interest rate risk, including limiting the total level of net borrowing (borrowing less investment) at variable rates and setting an upper limit for net borrowing at fixed interest rates. The Council also employs treasury advisors to assist with taking investment and borrowing decisions including on such matters as options for debt restructuring (repaying debt early and taking out replacement debt on current terms). The impact of potential changes in interest rates is considered in the setting of the annual budget and is monitored across the year to allow any adverse movements to be accommodated.

The potential impact of any changes in interest rates on the Council is complex. For example, an increase in interest rates would have the following effects:

- Borrowing at variable rates – higher interest costs charged
- Borrowing at fixed rates – the fair value of borrowing liabilities would fall
- Investment at variable rates – higher interest earned
- Investment at fixed rates – the fair value of investment assets would fall

If interest rates had been 1% higher with all other variables held constant the financial effect would have been:

2020/21 £000		2021/22 £000
(578)	Interest gained on investments	(622)
814	Increased cost of borrowing	440
(236)	**Impact on Comprehensive Income and Expenditure Statement**	**(182)**

A 1% change in interest rates would also impact on the fair value of fixed rate investments and borrowings, which can be considered by varying the discount rates used in their estimation. In the case of the fair values of investments this would remain relatively immaterial. It would be more significant for the fair value of borrowings where a 1% increase in rates would decrease the fair value by over £25.4 million. A decrease in rates would correspondingly increase the fair value of borrowings. This would not impact on either surplus or deficit on the provision of services or the Movement in Reserves Statement.

26 OTHER LONG TERM LIABILITIES

31 March 2021 £000		31 March 2022 £000
(325,184)	Pension scheme liability	(228,748)
(13,583)	Council's share of debt administered by Lancashire County Council under local Government reorganisation regulations	(13,039)
(59,744)	Building schools for the future PFI liability	(57,527)
(398,511)	**Total**	**(299,314)**

27 PRIVATE FINANCE INITIATIVE (PFI)

The Building Schools for the Future programme included the construction and operation of four schools, across three sites, funded by way of two PFI contracts:

- Phase 1 – Pleckgate High School
- Phase 2 - Witton Park High School and Blackburn Central High School with Crosshill

Each PFI contract is for a period of 25 years with the end dates being Aug 2036 for Phase 1 and Aug 2037 for Phase 2.

All four of those schools have subsequently converted to academy status, and the assets are no longer recognised in the Council's Balance Sheet, although the PFI liability continues to be reported as the obligation to pay remains with the Council.

The Council makes an agreed annual payment which is increased by inflation each year. Payments remaining to be made under the PFI contract at 31 March 2022 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Phase 1 - Pleckgate school				
Payment in 2022/23	(813)	(860)	(2,331)	(4,004)
Payment within 2 to 5 years	(3,437)	(4,181)	(8,397)	(16,015)
Payment within 6 to 10 years	(4,972)	(7,243)	(7,804)	(20,019)
Payment within 11 to 15 years	(4,464)	(9,738)	(3,486)	(17,688)
Total Phase 1	**(13,686)**	**(22,022)**	**(22,018)**	**(57,726)**
Phase 2 - Witton Park / Blackburn Central with Crosshill schools				
Payment in 2022/23	(1,658)	(1,357)	(3,016)	(6,031)
Payment within 2 to 5 years	(5,724)	(7,480)	(10,919)	(24,123)
Payment within 6 to 10 years	(8,641)	(11,389)	(10,125)	(30,155)
Payment within 11 to 15 years	(9,255)	(15,798)	(5,102)	(30,155)
Payment within 16 to 20 years	(563)	(1,698)	(324)	(2,585)
Total Phase 2	**(25,841)**	**(37,722)**	**(29,486)**	**(93,049)**
Total	**(39,527)**	**(59,744)**	**(51,504)**	**(150,775)**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	Phase 1 £000	Phase 2 £000	Total
Balance outstanding at 31 March 2021	**(22,697)**	**(38,906)**	**(61,603)**
Payments during the year	675	1,184	1,859
Balance outstanding at 31 March 2022	**(22,022)**	**(37,722)**	**(59,744)**

28 LEASES

Council as Lessee

Operating Leases

The Council has entered into a number of operating leases in respect of land and buildings, vehicles, plant and equipment.

The future minimum lease payments due to non-cancellable leases in future years are:

31 March 2021 £000		31 March 2022 £000
1,838	Not later than one year	2,200
6,096	Later than one year and not later than 5 years	7,591
20,844	Later than 5 years	24,917
28,778	**Total**	**34,708**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2021 £000		31 March 2022 £000
2,220	Minimum lease payments	1,970
289	Contingent rents	22
2,509	**Total**	**1,992**

Council as Lessor

Finance Leases

The Council leases out land in respect of the shopping centre under a finance lease with a remaining term of 122 years.

All income due under the terms of this lease varies each year dependent on factors other than the passage of time. This income is therefore classed as contingent rentals in accordance with IAS 17 and is recognised in the Income and Expenditure statement as it arises.

In 2021/22, total income generated from the lease was £252,000 (2020/21 £552,000).

As all rental payments are contingent on factors other than the passage of time, the minimum lease payments due under this lease are £nil, and as such the value of the finance lease debtor in respect of this lease is also £nil.

Operating Leases

The Council leases out commercial properties under operating leases, including shops, industrial units, market stalls and agricultural tenancies. This activity supports the provision of local services and economic development in the Borough including the provision of affordable accommodation for businesses.

The minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2021 £000		31 March 2022 £000
(2,275)	Not later than one year	(2,383)
(7,203)	Later than one year and not later than 5 years	(7,380)
(62,505)	Later than 5 years	(62,770)
(71,983)	**Total**	**(72,533)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, total income generated from leases was £3,319,000 of which £801,000 contingent rents were receivable by the Council (£3,550,000 and £1,032,000 respectively in 2020/21).

29 RESERVES

Usable reserves

The Council sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover contingencies (unallocated balances). Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no charge against council tax for the expenditure. This note sets out the amounts set aside from the General Fund in its usable reserves to provide financing for future spending plans and the amounts posted back from usable reserves to meet general fund expenditure in 2020/21 and 2021/22.

The Council saw a significant increase in the level of reserves held at 31st March 2021, largely in its earmarked reserves held for specific purposes. This resulted from specific Covid-related funding received from central government to be utilised over the 2 year period through to March 2022, together with an overall underspend across Council services, as staff were redeployed to support Covid-response efforts.

The requirement for additional funding, including the provision of support to local businesses, has continued to some extent throughout 2021/22, and reserves remain at a higher level than pre-pandemic. Income from fees and charges is not expected to recover fully for some time, likely leading to a call on reserves and the funding carried forward as at 31st March 2022.

	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
Earmarked reserves							
Reserves held for discretionary use by the Council							
Welfare, council tax and business rate reforms	**(163)**	35	(795)	**(923)**	1,521	(2,255)	**(1,657)**
Compensation for lost Council Tax and Business Rates income	**0**	8,670	(17,778)	**(9,108)**	12,724	(12,278)	**(8,662)**
Investments in assets and infrastructure	**(1,076)**	33	(500)	**(1,543)**	92	(3,567)	**(5,018)**
Other resources and transformation projects	**(541)**	166	0	**(375)**	0	0	**(375)**
Support for people services	**(3,339)**	331	(1,476)	**(4,484)**	902	(1,226)	**(4,808)**
Town centre, special events and economic development	**(569)**	149	(500)	**(920)**	0	0	**(920)**
Contingent sums to support future downsizing and transformation (including redundancy and pension strain costs)	**(2,604)**	294	(12,000)	**(14,310)**	238	(3,001)	**(17,073)**
Amounts carried forward in respect of unspent grants and contributions	**(7,965)**	13,742	(17,334)	**(11,557)**	7,020	(7,917)	**(12,454)**
Other amounts committed in future years budgets	**(345)**	232	(313)	**(426)**	242	(992)	**(1,176)**
Reserves held for specified purposes	**(2,549)**	274	(1,744)	**(4,019)**	1,385	(3,064)	**(5,698)**
Total earmarked reserves for discretionary purposes	**(19,151)**	**23,926**	**(52,440)**	**(47,665)**	**24,124**	**(34,300)**	**(57,841)**
Details of other earmarked reserves							
Reserves held in respect of joint arrangements and charitable bodies	**(365)**	31	(84)	**(418)**	48	(7)	**(377)**
Reserves held in relation to schools	**(3,840)**	241	0	**(3,599)**	0	(648)	**(4,247)**
LMS schools balances	**(5,275)**	0	(3,786)	**(9,061)**	922	0	**(8,139)**
Total of non-discretionary reserves	**(9,480)**	**272**	**(3,870)**	**(13,078)**	**970**	**(655)**	**(12,763)**
Total earmarked reserves	**(28,631)**	**24,198**	**(56,310)**	**(60,743)**	**25,094**	**(34,955)**	**(70,604)**
Unallocated reserves	**(7,173)**	**1,366**	**(2,566)**	**(8,373)**	**4,480**	**(3,825)**	**(7,718)**
Capital receipts reserve	**0**	**3,049**	**(3,049)**	**0**	**5,118**	**(5,282)**	**(164)**
Capital grants unapplied	**(5,843)**	**14,409**	**(21,256)**	**(12,690)**	**12,838**	**(13,483)**	**(13,335)**
Total Council Usable Reserves	**(41,647)**	**43,022**	**(83,181)**	**(81,806)**	**47,530**	**(57,545)**	**(91,821)**

Unusable reserves

Certain reserves are kept to manage the accounting processes for non-current assets, for example the Revaluation Reserve and the Capital Adjustment Account. These and other reserves in relation to financial instruments, retirement and employment benefits do not represent usable resources for the Council.

31 March 2021 £000		31 March 2022 £000
(115,795)	Revaluation Reserve	(135,287)
(46,658)	Capital Adjustment Account	(43,382)
1,750	Financial Instruments Adjustment Account	1,689
351,693	Pensions Reserve	240,991
10,023	Collection Fund Adjustment Account	5,167
3,423	Accumulated Absences Adjustment Account	4,495
204,436	**Total**	**73,673**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets. The balance is reduced when such assets are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The reserve only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before this date are consolidated into the balance on the Capital Adjustment Account.

2020/21 £000		2021/22 £000
(113,802)	**Balance at 1 April**	**(115,795)**
(8,506)	Upward revaluation of assets	(38,822)
4,715	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	15,115
(3,791)	**(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**(23,707)**
1,176	Difference between fair value depreciation and historical cost depreciation	1,202
622	Accumulated gains on assets sold or scrapped	3,013
1,798	**Amount written off to the capital adjustment account**	**4,215**
(115,795)	**Balance at 31 March**	**(135,287)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2020/21 £000		2021/22 £000
(39,212)	**Balance at 1 April**	**(46,658)**
	Reversal of items relating to capital expenditure charged to the Comprehensive Income and Expenditure Statement	
11,311	Charges for depreciation and impairment of non-current assets	15,456
(413)	Revaluation losses / (gains) on property, plant and equipment	5,880
409	Amortisation of intangible assets	357
2,338	Revenue expenditure funded from capital under statute	3,301
3,981	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal calculation	8,657
(1,798)	Adjusting amount written out of the Revaluation Reserve	(4,215)
15,828	**Net written out amount of the cost of non-current assets consumed in the year**	**29,436**
	Capital financing applied in the year	
(3,049)	Use of the capital receipts reserve to finance new capital expenditure or set aside to reduce the net indebtedness of the Council	(5,118)
(10,611)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(3,698)
(3,798)	Application of grants to capital financing from the Capital Grants Unapplied Account	(9,141)
(5,688)	Statutory provision for the financing of capital investment charged against the General Fund	(6,217)
(129)	Capital expenditure charged against the General Fund	(2,020)
1	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	34
(46,658)	**Balance at 31 March**	**(43,382)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Financial Instruments Adjustment Account to manage premiums paid on the early redemption of loans. Premiums are initially debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Financial

Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. Similarly, further statutory provisions allow the "effective" interest rate charges in respect of soft loans and stepped interest loans to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.

2020/21 £000		2021/22 £000
1,810	**Balance at 1 April**	**1,750**
(33)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(33)
	Effective interest rate adjustments in respect of:	
(18)	Soft loans	(19)
(9)	Stepped loan rates	(9)
(60)	**Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance cost chargeable in the year in accordance with statutory requirements**	**(61)**
1,750	**Balance at 31 March**	**1,689**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for pension benefits and for funding benefits in accordance with statutory provisions. The Council accounts for pension benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund.

The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £000		2021/22 £000
253,074	**Balance at 1 April**	**351,693**
82,611	Remeasurement of the net defined benefit liability	(133,876)
16,008	Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations.	23,174
351,693	**Balance at 31 March**	**240,991**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21 £000		2021/22 £000
(2,048)	**Balance at 1 April**	**10,023**
12,071	Amount by which the council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement differs to the amount calculated in accordance with statutory requirements	(4,856)
10,023	**Balance at 31 March**	**5,167**

As referred to previously, the introduction of extended business rates reliefs in 2020/21, and to a lesser extent 2021/22, to help retail, leisure, hospitality, and nursery businesses through the pandemic resulted in a significant reduction in business rates income due to the Council. This in turn has resulted in a larger than usual deficit on the Business Rates Collection Fund, and a significant swing in the Collection Fund accounting adjustments required to eliminate central and preceptor shares of business rates balances from the Council's Comprehensive Income and Expenditure Statement and Balance Sheet.

Accumulated Absences Adjustment Account

The cost of compensated absences e.g. annual leave entitlement not taken by employees during the year is charged to the Comprehensive Income and Expenditure Statement. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2020/21 £000		2021/22 £000
2,703	**Balance at 1 April**	**3,423**
(2,703)	Settlement of cancellation of accrual made at the end of the preceding year	(3,423)
3,423	Amounts accrued at the end of the current year	4,495
720	**Amount by which remuneration charge to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**1,072**
3,423	**Balance at 31 March**	**4,495**

30 POST-EMPLOYMENT BENEFITS

Pension Schemes accounted for as defined contribution schemes

Teachers' pension scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES). The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme, however, the scheme is unfunded. The DfES uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities, and it also bears the related funding risks. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22, the Council paid £8,081,678 (£7,925,928 in 2020/21) to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (23.68% in 2020/21).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These costs are accounted for on a defined benefits basis.

National Health Service (NHS) pension scheme

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22, the Council paid £28,745 (£29,202 in 2020/21) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay (14.38% in 2020/21).

Defined benefit pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) which is administered locally by Lancashire County Council. The LGPS is a funded defined benefit pension arrangement for local authorities and related employers and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every 3 years.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as shown in the following table.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. This is an unfunded defined benefit arrangement, under which liabilities arising are recognised when the decision to make the award is made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Transactions are accounted for using the same policies as are applied to the Local Government Pension Scheme.

Transactions in relation to post-employment benefits

The Council recognises the costs of post-employment/retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	22,606	30,535	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements and curtailments	275	140	0	0
Financing and Investment Income and Expenditure				
Net Interest expense and administration costs	5,447	7,162	126	112
Total post-employment benefit charged to the surplus or deficit on the provision of services	**28,328**	**37,837**	**126**	**112**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Remeasurement - assets	(60,541)	(97,754)	0	0
Remeasurement - liabilities				
- Experience gain / (loss)	(20,601)	28,609	(128)	141
- Gains / (losses) on financial assumptions	163,328	(16,690)	553	(56)
- Gains / (losses) on demographic assumptions	0	(47,894)	0	(232)
Total re-measurement recognised in Other Comprehensive Income	**82,186**	**(133,729)**	**425**	**(147)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**110,514**	**(95,892)**	**551**	**(35)**
Movement in Reserves Statement				
Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(16,384)	(23,539)	376	365
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	**11,944**	**14,298**		
Retirement benefits payable to pensioners			**502**	**477**

Pensions assets and liabilities recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plans are as follows:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Present value of the defined benefit obligation	(1,100,199)	(1,096,524)	(5,576)	(5,064)
Fair value of plan assets	780,591	872,840	0	0
Net liability arising from defined benefit obligation	**(319,608)**	**(223,684)**	**(5,576)**	**(5,064)**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Opening balance at 1 April	**(928,785)**	**(1,100,199)**	**(5,527)**	**(5,576)**
Current service cost	(22,606)	(30,535)	0	0
Interest cost	(22,095)	(22,881)	(126)	(112)
Contributions by scheme participants	(4,493)	(4,798)	0	0
Remeasurement - liabilities				
- Experience gain / (loss)	20,601	(28,609)	128	(141)
- Gains / (losses) on financial assumptions	(163,328)	16,690	(553)	56
- Gains / (losses) on demographic assumptions	0	47,894	0	232
Past service (cost) / gain	0	0	0	0
(Losses) / gains on curtailment	(275)	(140)	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid	20,782	26,054	502	477
Closing balance at 31 March	**(1,100,199)**	**(1,096,524)**	**(5,576)**	**(5,064)**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Opening balance at 1 April	**681,238**	**780,591**	**0**	**0**
Interest income	17,075	16,171	0	0
Remeasurement gains / (losses) - assets	60,540	97,754	0	0
Settlements	0	0	0	0
Contributions from employer	38,454	32	502	477
Contributions from employees into the scheme	4,493	4,798	0	0
Benefits paid	(20,782)	(26,054)	(502)	(477)
Other	(427)	(452)	0	0
Closing balance at 31 March	**780,591**	**872,840**	**0**	**0**

Local Government Pension Scheme assets comprised:

31 March 2021 £000	Asset category	Quoted in active markets (Y/N)	31 March 2022 £000
17,239	**Cash and cash equivalents etc.**	N	**21,940**
0	**Equities** - Financials	Y	**1,039**
	Bonds (by sector):		
0	UK Corporate	Y	3,585
0	Overseas Corporate	N	3,223
0	**Sub-total bonds**		**6,808**
	Property (by type):		
767	Retail	N	773
12,605	Commercial	N	13,169
13,372	**Sub-total property**		**13,942**
	Private equity:		
0	UK	N	19,305
62,628	Overseas	N	52,623
62,628	**Sub-total private equity**		**71,928**
	Other investment funds:		
93,613	Infrastructure	N	99,436
97,794	Indirect Property Funds	N	76,110
104,346	Credit Funds	N	116,820
26,020	Pooled Fixed Income	N	37,953
7,983	UK Pooled Equity Funds	N	8,219
357,596	Overseas Pooled Equity Funds	N	418,645
687,352	**Sub-total other investment funds**		**757,183**
780,591	**TOTAL ASSETS**		**872,840**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method; an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries.

When the Council's draft 2021/22 accounts were prepared, the 2019 triennial valuation informed the key judgements and estimates underpinning the measurement of the defined benefit liability. Although the publication of the 31 March 2022 LGPS triennial valuations occurred after the 2021/22 reporting period, accounting estimates have been updated to take account of data now available following completion of the latest full valuation of the Lancashire County Fund scheme. The principal assumptions used by the actuary are as follows:

2020/21		2021/22
Mortality assumptions		
Longevity at 65 for current pensioners		
22.4	Male	21.4
25.1	Female	23.7
Longevity at 65 for future pensioners		
23.9	Male	22.6
26.9	Female	25.5
Financial assumptions		
2.7%	Rate of CPI inflation	3.3%
4.2%	Rate of increase in salaries	4.8%
2.8%	Rate of increase in pensions (payment / deferment)	3.4%
2.1%	Rate for discounting scheme liabilities	2.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The following sensitivity analysis is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Change in assumptions at 31 March 2022	Impact on the net Defined Benefit Liability £000	Impact on the projected Service Cost for next year £000	Impact on the projected Net Interest Cost for next year £000
Longevity - 1 year increase in member life expectancy	+ 33,841	+ 925	+ 939
Rate of inflation - increase by 0.1%	+ 52,170	+ 809	+ 557
Rate of increase in salaries – increase by 0.1%	+ 5,618	0	+ 53
Rate for discounting scheme liabilities – increase by 0.1%	- 95,799	- 777	- 318
Change in 2021/22 investment returns:			
- increase by 1%	- 8,623	0	- 241
- decrease by 1%	+ 8,623	0	+ 242

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, whilst meeting the requirement of Regulations governing the Fund which require the contributions to be set with a view to targeting the Fund's solvency. The detailed provisions are set out in the Fund's Funding Strategy Statement (FSS).

The Regulations also require actuarial valuations to be carried out every 3 years. The previous valuation, at 31 March 2019, showed a surplus of £12 million against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover just over 100% of its liabilities – this percentage is known as the solvency funding level of the Fund. The most recent valuation at 31 March 2022 showed an improved surplus position.

The LGPS Regulations require the next 3 years' contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. The "Primary rate" of the employers' contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. The "Secondary rate" of an individual employer's contribution is an adjustment to the primary contribution rate to reflect any past service deficit or surplus, based on an average recovery period of 16 years. Funding levels are monitored on an annual basis, with the next triennial valuation due to be completed on 31 March 2025.

The weighted average duration of the authority's defined benefit obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.

Early payment of 3 years LGPS employers' pension contributions and deficit lump sum

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due at the point of the triennial valuation each employer pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has forgone. Paying in advance of this schedule enables a gross saving due to the avoidance of these "interest" payments. This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

For the three year period, commencing 1st April 2020, the Council has taken advantage of a discount offered for early payment of both the three year deficit amount and the (monthly) employer contributions in relation to current staff who are members of the LGPS. A payment of £38.284 million was made in April 2020, which will result in a net saving, after accounting for interest on borrowing, of approximately £1.5 million across the 3 year period.

As a consequence of this early payment of pension contributions there was an initial reduction of the pension liability by £38.284 million, which will "unwind" over the three year triennial period. Due to the regulatory provisions which specify the amount chargeable to the Council's General Fund an amount of £12.243 million (i.e. the amount relating to year three of the triennial period) has been credited to the pension reserve in 2021/22, as a result the pension liability and pension reserve are not equal and opposite amounts as would ordinarily be the case.

Areas of uncertainty

Court of Appeal ruling for Firefighters/Judges (the Sergeant and McCloud cases): The decisions of the Court of Appeal in the Sergeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS.

The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund).

The actuarial figures include an allowance for McCloud that is substantially in line with the proposed remedy above. There are some minor areas where the Actuary's approach differs, but other than in exceptional circumstances it is expected that the impact of these minor proposed changes to be nil, therefore, no further adjustments are required.

Goodwin, Brewster and Langford judgements: These are other recent rulings that could in theory have an impact on the LGPS, all of which relate to dependants benefits, however, it is expected that the impact of the ruling to be very small (if anything). For example, the Actuary's sample analysis on the most significant of the rulings (Goodwin) suggests a potential cost well under 0.1% of liabilities on average, therefore, no adjustments have been made in respect of these judgements.

Guaranteed Minimum Pension (GMP) equalisation: UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). This includes providing equal benefits accrued from that date to reflect the difference in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, until the 26 October 2018 Lloyds Bank court judgement provided further clarity in this area.

HM Treasury have stated since the judgement that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement". As a result, the Actuary has concluded that it is not appropriate for their figures to include any provision for the effect of the Lloyds Bank judgement at the present time. However, in due course there may be a further cost to the LGPS and its employers in connection with equalisation/indexation. Although government policy is still to be determined, the actuarial figures do include an allowance for full GMP indexation for all members reaching SPA after 2021.

Covid-19: Since February 2020 there has been substantial volatility in financial markets around the world in relation to the Covid-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and will be reflected in the 2021/22 accounting figures. Over the same period, the market volatility has also extended to bonds. As the assumptions for accounting purposes are based on bond yields, this will also impact on accounting liabilities.

Regarding the impact on mortality, the Actuary's view is that it is not possible at this point to draw any meaningful conclusions on the potential impact of Covid-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

31 CASH FLOW STATEMENT NOTES

Operating activities

The net surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement has been subject to the following adjustments in order to arrive at the net cash flows from operating activities:

The cash flows for operating activities include the following items:

31 March 2021 £000		31 March 2022 £000
460	Interest received	21
(12,733)	Interest paid	(11,512)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2021 £000		31 March 2022 £000
11,311	Depreciation	15,456
(413)	Impairment and downward valuations	5,880
409	Amortisation	357
6,043	Increase/(decrease) in creditors	8,636
(3,263)	(Increase)/decrease in debtors	37
(51)	(Increase)/decrease in inventories	(58)
(10,501)	Movement in pension liability	37,440
3,279	Carrying amount of non-current assets, non-current assets held for sale, sold or derecognised	8,657
302	Other non-cash items charged to the surplus or deficit on the provision of services	1,509
7,116	**Total**	**77,914**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31 March 2021 £000		31 March 2022 £000
(379)	Proceeds from short-term and long-term investments	0
(1,968)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,282)
(21,256)	Any other items for which the cash effects are investing or financing cash flows	(13,484)
(23,603)	**Total**	**(18,766)**

Investing activities

31 March 2021 £000		31 March 2022 £000
(18,710)	Purchase of property, plant and equipment, investment property and intangible assets	(12,507)
(54,025)	Purchase of short term and long term investments	(44,465)
2,999	Other payments for investing activities	526
1,968	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,282
59,081	Proceeds from short term and long term investments	67,000
21,256	Other receipts from investing activities	13,705
12,569	**Net cash flows from investing activities**	**29,541**

Financing activities

31 March 2021 £000		31 March 2022 £000
114,250	Cash receipts of short term and long term borrowing	20,000
0	Other receipts from financing activities	0
(1,811)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(1,859)
(124,799)	Repayment of short term and long term borrowing	(82,685)
(1,479)	Other payments for financing activities	4,045
(13,839)	**Net cash flows from financing activities**	**(60,499)**

Reconciliation of liabilities arising from financing activities

	1 April 2021	Financing cash flows		Non-cash changes	31 March 2022
		Acquisitions	Repayments		
	£000	£000	£000	£000	£000
Long term borrowing	141,779	0	0	(3,548)	138,231
Short term borrowing	82,153	20,000	(82,141)	3,548	23,560
Other Long Term Liabilities	13,583	0	(544)	0	13,039
PFI liabilities	61,603	0	(1,859)	0	59,744
Total	**299,118**	**20,000**	**(84,544)**	**0**	**234,574**

	1 April 2020	Financing cash flows		Non-cash changes	31 March 2021
		Acquisitions	Repayments		
	£000	£000	£000	£000	£000
Long term borrowing	145,670	0	0	(3,891)	141,779
Short term borrowing	88,245	114,250	(124,233)	3,891	82,153
Other Long Term Liabilities	14,148	0	(565)	0	13,583
PFI liabilities	63,414	0	(1,811)	0	61,603
Total	**311,477**	**114,250**	**(126,609)**	**0**	**299,118**

32 RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax). Grant income from Government departments is shown in Note 7.

Other public bodies (subject to common control by Central Government)

The main transactions with other public bodies are in relation to precepts paid to Lancashire Police Authority and the Lancashire Combined Fire Authority, details of which are shown in the Collection Fund Income and Expenditure Statement.

The Council continues to work closely with its major Health partner, Blackburn with Darwen Clinical Commissioning Group (CCG) to jointly deliver integrated health and adult social care services under NHS Section 75 and Section 256 agreements and under strategic direction of the local Health and Wellbeing Board. This includes joint strategic needs assessments and a joint health and wellbeing strategy to increase and improve integrated health and social care for residents of the Borough.

In addition the Council is working together with other health partners and Local Authorities across the Pennine Lancashire footprint and wider over the Lancashire and South Cumbria area on new models of care and delivery of Integrated Health and Social Care services.

The Council and the Clinical Commissioning Group* (CCG) received £13.321 million revenue ring fenced grant in 2021/22 (£12.635 million in 2020/21) towards the Better Care Fund (BCF), of which £6.605 million expenditure (£6.109 million in 2020/21) was incurred by the CCG on health related initiatives and the remaining £6.716 million (£6.526 million in 2020/21) was retained by the Council to spend on health and social care schemes, in accordance with the pooled budget arrangements. The BCF brings together NHS and Local Government resources, and operates as a pooled budget (Section 75 agreement) with Blackburn with Darwen Council identified as the pooled budget host. The BCF provides an opportunity through pooled budget arrangements to transform local services so that people are provided with better integrated care and support. The Fund provides a real opportunity to create a shared plan for the totality of health and social care activity, to improve services and value for money, and protecting and improving social care services by shifting resources from acute services into community and preventive settings.

The Council received £15.1 million of Public Health Grant in 2021/22 (£14.9 million in 2020/21) for the delivery of Public Health services aimed at improving health outcomes for all ages and removing health inequalities across the borough population. The Public Health Grant is allocated to the authority as a ring fenced grant.

The Council hosts a joint building control service with Burnley Borough Council. Under a service level agreement both authorities contribute towards the net running cost of the service, with Burnley contributing 35.5% (£92,709) and Blackburn with Darwen contributing 64.5% (£168,443) in 2021/22. In 2020/21 the corresponding figures were 35.5% (£95,123) and 64.5% (£172,828) respectively.

** Clinical Commissioning Groups have now been formally abolished by the Integrated Care Boards (Establishment) Order 2022, which was made under provisions in the Health and Care Act 2022. The*

National Health Service (Areas of Integrated Care Boards: Appointed Day) Regulations 2022 provides that Integrated Care Boards (ICBs) come into effect from 1 July 2022.

Members

Members of the Council have direct control over the Council's financial and operating policies. Members are also appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities.

The total of Members' allowances paid in 2021/22 is shown in Note 9.

Details of Members' interests are recorded in the Register of Members' Interests, which is open to public inspection. The table below contains transactions during 2021/22 for services delivered to / from organisations in which members have declared interests that would indicate a significant level of control:

	Income received £	Income owed to the Council £	Payments made £	Payments owed by the Council £
Home Care For You Limited	(8,006.40)	0	2,183,651.05	0

In all cases, the works or services detailed above were entered into in full compliance with the Council's standing orders, financial procedure rules and procurement procedure rules.

Officers

Officers are appointed by the Council to boards or committees of various organisations to act on behalf of the Council in their official capacities. All officers are also required to declare any relevant interests in a departmental register of interest, gifts and hospitality.

In 2021/22 none of the Council's senior officers have made declarations in respect of personal / close family interests with organisations that would indicate a significant level of control and where the Council has financial interests and / or transactions.

Interests in companies and other entities

The Council has financial interests and related party transactions with the following companies.

Growth Lancashire Limited

The Council is one of 6 local authorities with an interest in Growth Lancashire Limited (formerly Regenerate Pennine Lancashire Limited), an economic development company designed to help increase prosperity and life choices for people living and working in Pennine Lancashire. By working alongside businesses to boost Lancashire's economy, the company is able to create new job opportunities and access local funds, Government grants and European funding. The company delivers a Gateway Service to support businesses throughout Lancashire, Blackpool and Blackburn with Darwen, and provides funding to assist business growth.

The company is limited by guarantee. Lancashire County Council is the accountable body, providing the company secretary and audit services at no cost. Blackburn with Darwen Borough Council acts as the employing body for staff and provides finance, IT and related support.

Barnfield Blackburn Limited

The Council has an interest in Barnfield Blackburn Limited, a joint venture company with the aim of acquiring and preparing development sites within the Borough in order to facilitate economic development, job creation and housing growth.

Maple Grove Blackburn Limited

The Council has an interest in Maple Grove Blackburn Limited, a joint venture company with the aim of acquiring and preparing sites within the Borough in order to facilitate a holistic approach to the redevelopment of a number of town centre sites for business, leisure and housing and to attract inwards investment to the Borough.

Entities controlled or significantly influenced by the Council

The Council made payments in respect of the commissioning of services under either a Service Level Agreement or contractual agreement totalling £1,485,565 to the organisations below during the year where the amounts concerned provided a significant proportion of those organisations' income. The details are as follows:

- Spring North Ltd (Formerly Families, Health & Wellbeing Consortium) - £43,938
- Care Network (Blackburn with Darwen) Limited - £360,277
- Age UK - £234,480
- Lancashire Women's Centre - £170,043
- Blackburn with Darwen Carers Services Ltd - £231,477
- Lancashire MIND Limited - £238,350
- Shelter Limited - £80,000
- The THOMAS Organisation Limited - £57,000
- Papyrus Prevention of Youth Suicide - £70,000

Similar payments totalling £2,378,895 were made in 2020/21. In these cases, there is a presumption that there is substantial reliance upon such income for the future continuation or otherwise of the organisations concerned.

33 CONTINGENT ASSETS AND LIABILITIES

Contingent Asset

The Council is currently pursuing the recovery of costs incurred in respect of a service user within Adult Social Care. The case involves a dispute between three local authorities over the responsibility for the social care costs for an individual service user. Legal services have been involved in this case to pursue recovery of the costs and after numerous attempts over several years the case has been to ADASS for mediation and will now be referred to the Secretary of State for resolution. The amount to be recovered in respect of the service user amounts to £388,000 as at end of March 2022.

Contingent Liability

Following the liquidation of Municipal Mutual Insurance (MMI) in 1992/93 there are a number of claims outstanding which may not be resolved for many years. The "Scheme of Arrangement" between local authorities and the administrators of MMI was invoked in 2012/13 and the Council has a liability both in relation to the former Blackburn Borough Council and Lancashire County Council (in relation to transferred services). The total potential liability in relation to the former Blackburn Borough Council as at 31 March 2022 remains uncertain. A Levy has been paid at a rate of 25% on established scheme liabilities - amounting to a total of £495,500 for the Council. In considering the most likely remaining financial impact, the Council has set aside a provision of £323,000, with a further £250,000 being held in an earmarked reserve. However, there is a risk that the Council's financial liability could increase from this level.

A legal case has been brought against the Council by the administrators of Thomas Barnes and Sons Plc over the premature termination of the contract to build Blackburn Bus Station. The company was engaged to construct the bus station in 2014, but the project was plagued by problems and delays and the contract was terminated early. In November 2015 the company went out of business and the administrators started a case for compensation in the High Court for damages for breach of contract by Blackburn with Darwen Council, and seeking a payment of up to £1.7 million. The court case was heard in July 2022 and on 17 October 2022, the Court handed down its judgement in favour of the Council, dismissing Barnes' claim.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2020/21				2021/22		
Non-domestic rates	Council tax	Total		Non-domestic rates	Council tax	Total
£000	£000	£000	Income	£000	£000	£000
	(64,632)	(64,632)	Council tax receivable (net of benefits, discounts for prompt payment and transitional relief)		(70,865)	(70,865)
0	(2,035)	(2,035)	Transfer from General Fund – Hardship Fund Grant	0	(20)	(20)
(28,160)	0	(28,160)	Non-domestic rates receivable (net of discretionary and mandatory reliefs)	(38,530)	0	(38,530)
			Contribution towards previous year's Collection Fund deficit			
0	0	0	- Central Government	(8,456)	0	(8,456)
0	0	0	- Blackburn with Darwen Borough Council	(7,345)	(538)	(7,883)
0	0	0	- Police & Crime Commissioner for Lancashire	0	(73)	(73)
0	0	0	- Lancashire Combined Fire Authority	(150)	(24)	(174)
0	**0**	**0**	**Total contribution to previous year's Collection Fund deficit**	**0**	**0**	**0**
(28,160)	**(66,667)**	**(94,827)**	**Total income**	**(54,481)**	**(71,520)**	**(126,001)**
			Expenditure			
			Precepts and demands from major preceptors and the Council (Council tax)			
0	56,022	56,022	- Blackburn with Darwen Borough Council	0	57,207	57,207
0	7,523	7,523	- Lancashire Police Authority	0	7,911	7,911
0	2,521	2,521	- Lancashire Combined Fire Authority	0	2,525	2,525
0	**66,066**	**66,066**	**Total council tax precepts**	**0**	**67,643**	**67,643**
			Shares of non-domestic rating income to major preceptors and the Council (billing authority)			
20,587	0	20,587	- Blackburn with Darwen Borough Council	20,545	0	20,545
420	0	420	- Lancashire Combined Fire Authority	419	0	419
21,007	**0**	**21,007**	**Total non-domestic rates precepts**	**20,964**	**0**	**20,964**
21,008	0	21,008	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to Central Government	20,965	0	20,965
1,529	0	1,529	Transitional Protection Payments payable	1,060	0	1,060
4,776	2,216	6,992	Impairment of debt/appeals	3,523	2,055	5,578
247	0	247	Charge to General Fund for allowable collection costs	246	0	246
			Contribution towards previous year's Collection Fund surplus			
458	0	458	- Central Government	0	0	0

31	671	702	- Blackburn with Darwen Borough Council	0	0	0
0	89	89	- Police & Crime Commissioner for Lancashire	0	0	0
1	31	32	- Lancashire Combined Fire Authority	0	0	0
49,057	**69,073**	**118,130**	**Total expenditure**	**46,758**	**69,698**	**116,456**
20,897	**2,406**	**23,303**	**Movement on fund balance**	**(7,723)**	**(1,822)**	**(9,545)**
(2,412)	**(712)**	**(3,124)**	**Fund balance brought forward**	**18,485**	**1,694**	**20,179**
20,897	**2,406**	**23,303**	Movement on fund balance	**(7,723)**	**(1,822)**	**(9,545)**
18,485	**1,694**	**20,179**	**Fund balance carried forward**	**10,762**	**(128)**	**10,634**

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Allocation of Collection Fund balance

31 March 2021			31 March 2022	
Non-domestic rates £000	**Council tax £000**	**(Surplus)/deficit carried forward**	**Non-domestic rates £000**	**Council tax £000**
		Allocated to:		
8,587	1,436	Blackburn with Darwen Borough Council	4,803	(106)
0	193	Police & Crime Commissioner for Lancashire	0	(18)
175	65	Lancashire Combined Fire Authority	122	(4)
9,723	0	Central Government	5,838	0
18,485	**1,694**	**Total**	**10,763**	**(128)**

Non-domestic rates

The Council collects non-domestic rates for its area which are based on local rateable values (set by the Valuation Office) multiplied by a uniform business rate set by Central Government. There are 2 multipliers- the small business non-domestic rating multiplier, which is applicable to those that qualify for small business rate relief, and the non-domestic rating multiplier, which includes the supplement to pay for the small business rates relief scheme.

The government decided to freeze the business rates multiplier for 2021/22 at 51.2p, which was made up of a small business rating multiplier of 49.9p plus a supplement of 1.3p. The total non-domestic rateable value at 31 March 2022 was £121,073,319 (£120,513,511 at 31 March 2021).

Calculation of the council tax base

The council tax base is the number of chargeable dwellings in each valuation band (A to H), adjusted for dwellings where exemptions or discounts apply, and converted to an equivalent number of band D dwellings.

In 2021/22 the calculation of the tax base for council tax setting purposes was based on a total of 61,984 (61,751 in 2020/21) residential properties (taken from a list prepared by the Government's Valuation Office). After taking account of discounts, exemptions and disabled relief these equate to 45,030 chargeable dwellings or 36,205 band D equivalent properties, as analysed in the table below.

Valuation Band	Total equivalent number of dwellings after discounts, exemptions and disabled relief	Chargeable Band D Equivalents
A	22,551	15,024
B	7,553	5,874
C	7,310	6,498
D	4,265	4,265
E	2,011	2,458
F	741	1,070
G	547	912
H	52	104
Total	**45,030**	**36,205**

General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2021/22 and its position at the year-end of 31 March 2022. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting concept of going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. As local authorities cannot be created or dissolved without statutory prescription, they must prepare their accounts on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

All accounting policies are disclosed where they are material and reflect the particular circumstances of the Council.

Accruals of income and expenditure

Activity is accounted for in the financial year in which it takes place, not when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Business Improvement Districts

There are two business improvement district (BID) schemes applying to defined areas of Blackburn. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the schemes and does not, therefore, account for the income received from the BID levy in its Comprehensive Income and Expenditure Statement. Any income derived from the Council's role as agent is credited to the Comprehensive Income and Expenditure Statement.

Cash and cash equivalents

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (i.e. Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of the year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave or time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of three separate pension schemes:

- **Teachers' pension scheme** - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES).
- **NHS pension scheme -** administered by NHS Business Services Authority on behalf of the Department of Health.
- **Local government pension scheme** (LGPS) – Pension administration services are provided to the Lancashire County Pension Fund by Local Pensions Partnership, with Lancashire County Council as the Administering Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The *Schools and Education DSG* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The *Public Health and Wellbeing* line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

The change in the net pension's liability is analysed into the following components:

Component	Description	Treatment
Service costs		
Current service costs	The increase in liabilities as a result years of service earned this year	Allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years	Debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement - within Non-distributed costs
Net Interest on the net defined benefit liability i.e. interest expense for the Council	The change during the period in the net defined benefit liability that arises from the passage of time. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments	Charged to the *Financing and investment income and expenditure* line of the Comprehensive Income and Expenditure Statement
Re-measurements		
The return on plan assets	The return on plan assets, excluding amounts included in net interest on the net defined benefit liability.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Actuarial gains and losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities	These are not accounted for as an expense in the Comprehensive Income and Expenditure Statement, but are charged to the General Fund under statutory accounting requirements.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payment over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, the Council has taken some market loans subject to "stepped" interest rates, where the initial rates payable were lower than over the rest of the loan. Interest charges for these loans are averaged out over the life of each loan and effective interest rates are used to calculate their amortised cost for the Balance Sheet. As the loans were taken before 9 November 2007, however, there is no impact on the General Fund Balance as reconciling adjustments are made to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves a modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost, and
- Fair value through profit or loss (FVPL),

The Council's business model is to hold investments to collect contractual cash flows, financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely repayment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument.

Financial assets measured at amortised cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value. They are subsequently valued at their amortised cost. Annual credits to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council sometimes makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement at a marginally higher effective interest rate than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on derecognition of an asset are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. In practice, for trade receivables, unless it is known that a counterparty is at risk of going into administration the calculation is largely based on age of debt and amount of debt overdue.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FYPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

These assets relate to financial instruments where the amounts received relating them are not solely principal and interest (e.g. Money Market Funds or equity investments not designated as a strategic investment).

Fair value measurements of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on derecognition of the asset are credited or debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement.

Fair value measurement of non-financial assets

The Council's policy for fair value measurement of financial assets is set out in the previous section (Financial Instruments). The Council also measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset, or

b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant or contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

The Council's Heritage assets are held by the Council in support of the primary objective of increasing the knowledge, understanding and appreciation of the Borough's history and local area. They include collections of art, books and manuscripts, civic regalia and other artefacts, which are held in Blackburn museum and art gallery, Blackburn town hall, Turton Tower and the Council's libraries. Heritage assets are recognised and measured largely in accordance with the Council's accounting policies on property, plant and equipment although there is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. Heritage assets are recognised in the Balance Sheet at the insurance valuation quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

The schedule of items held within this category is reviewed each year and adjusted for additions, deletions or impairments (e.g. where an item has suffered physical deterioration, or breakage or where doubts arise as to its authenticity). These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The museum recognises its responsibility to work within the parameters of the Museum Association Code of Ethics when considering acquisition and disposal. If an item becomes unsuitable for the collections it may be transferred to a more suitable venue, which is likely to be another museum or gallery. There is a process for removing items from a museum's collection which is very controlled and specific. The guiding principal for this is the Disposal Digest put together by the Museums Association and available on their web site.

Heritage assets such as Darwen Jubilee Tower, the War Memorial and various statues have not been recognised in the Balance Sheet as recent information on cost is not available or the cost of obtaining the information outweighs the benefit to the users of the financial statements.

Historic buildings that have been identified as having heritage characteristics are all used by the Council for operational purposes and are accounted for within the Council's Balance Sheet as property, plant and equipment. Examples include Blackburn Town Hall, King George's Hall, Blackburn Museum, Lewis Textile Museum, Corporation Park Conservatory and Turton Tower.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses, and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds over £10,000) the Capital Receipts Reserve.

Inventories and Long-term contracts

The Council's inventories are valued on a variety of bases depending on the nature of the items involved. These bases include cost, average cost and first in first out. The Code requires inventories to be included in the Balance Sheet at the lower of cost and net realisable value. The different treatment of stocks is not considered to be material.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Industrial and commercial properties held by the Council are not considered to be held solely to earn rentals and/or for capital appreciation. Rather, they are held for regeneration, planning reasons and estate management and, therefore, have been classified as property, plant and equipment.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year end. Gains and losses on revaluation are posted to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the *Financing and investment income and expenditure* line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Arrangements

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

- A Joint Venture – This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.
- A Joint Operation – This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement as income to the services responsible for the management and maintenance of the leased property, plant and equipment. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis of rental income.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts in its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the *Financing and investment income and expenditure* line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator
- **lifecycle replacement costs** – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Prior period adjustments, changes in accounting policies and estimates, and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Property, Plant and Equipment other than highways infrastructure assets

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council only capitalises items that exceed the de minimis threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the *Taxation and non-specific grant income* line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction - historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings and other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

PPE asset	Depreciation basis
Operational buildings	straight line allocation over the useful life of the property as estimated by the valuer
Vehicles, plant, furniture and equipment	straight line allocation over 1-20 years, as advised by a suitably qualified officer

The standard approach is that newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use. An exception to this is in respect of vehicles purchased outright when this represents better value for money than leasing. Depreciation is also charged on PFI schemes in the year the asset is recognised on the Balance Sheet, in order to be consistent with the minimum revenue provision (MRP) calculation. In these cases a full year's depreciation is charged in the initial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and derecognition

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the *Other operating expenditure* line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to former housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserve Statement

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 (for England and Scotland), which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	**Useful life**
Carriageways	25 years
Footways, cycle tracks and public realm	40 years
Structures (bridges, and culverts)	120 years
Street lighting	25 years

Street furniture	Bus shelters 15 years and other assets 40 years
Traffic management systems	20 years
Traffic calming	15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

Provisions, Contingent Liabilities and Contingents Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line of the Comprehensive Income and Expenditure Statement when the Council has obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employment benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. This includes community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. The Code also stipulates that these schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (i.e. the single entity accounts rather than group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. The Council controls the management and running of community and foundation schools (where the foundation school is subject to a PFI contract), and therefore the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet.

The land and buildings of voluntary aided, voluntary controlled, foundation (not subject to a PFI contract), academy and free schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Council's Balance Sheet.

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within School's and Education Services (Non-DSG). Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within taxation and non-specific grant income based on amounts due from the Department for Education. (Further details are provided in Note 7).

DSG is allocated between centrally retained Council budget and budgets delegated to individual schools. Expenditure from centrally retained budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under School's and Education Services (DSG). Academies are funded directly from the Government, not via the local authority apart from funding for pupils with high needs. Income and expenditure in relation to academies is therefore not charged to the Comprehensive Income and Expenditure Statement.

Individual schools' balances for local authority maintained schools at the year-end are included in reserves in the Council's Balance Sheet.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 Code will introduce the following amendments:

Annual Improvements to International Financial Reporting Standards (IFRS) 2018-2020

The amendments made during the 2018-2020 cycle are:

IFRS 1 *First-time adoption*

The amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS and simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent.

IAS 37 *Onerous contracts*

The amendment provides clarity on the costs of fulfilling a contract.

IAS 41 *Agriculture*

The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 fair value.

These amendments are not anticipated to impact on the Council's accounts.

SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant judgements made in the statement of accounts are:

Funding
There continues to be a high degree of uncertainty about future levels of funding for local government. The Council's Medium Term Financial Plan (MTFP) assesses the on-going pressures from reduced funding and increased demand for services, which are mitigated by further savings and use of reserves. The Council is of the view that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to reduce levels of service provision and dispose of assets at less than their current value.

Mall market lease
The Council considers that the terms of the lease agreement in respect of Blackburn Market within the shopping centre does not transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment. The primary factors in determining this treatment were the non-specialist nature of the space rented, the separate accounting treatment of the specialist fixtures and fittings within the space, and the duration of the lease compared to the full economic life of the asset. The lease has, therefore, been treated as an operating lease and rentals paid under the terms of the lease are charged to the Comprehensive Income and Expenditure Statement.

Accounting for schools
In assessing the most appropriate accounting treatment for balances and transactions in relation to schools, the Council has considered the circumstances of each of the categories of school, such as ownership, control and access to economic benefits and service potential. Further details are included in Note 15.

Joint Arrangements
The Council entered into an arrangement with Barnfield Construction Limited in 2018- 2019 to regenerate a vacant site on Milking Lane, Lower Darwen. A limited liability company was established (Barnfield Blackburn Limited) as the vehicle through which the site would be acquired, developed and the necessary planning permissions obtained to allow the site to be used for business, thus achieving the Council’s aim of economic development, job creation and housing growth.

The Council entered into a further arrangement with Maple Grove Developments Limited in 2021/22 to regenerate the former Thwaites Brewery site in the centre of Blackburn. A limited liability company was established (Maple Grove Blackburn Limited) to facilitate a holistic approach to the redevelopment of a number of town centre sites for business, leisure and housing and to attract inwards investment to the Borough.

These arrangements have been assessed under the relevant accounting standards to determine how this should be accounted for within the Council’s accounts. Based on this assessment it has been determined that the arrangements fall to be classified as joint ventures which would ordinarily necessitate the completion of group accounting statements. Having reviewed the companies’ financial statements, it has been determined that, on the grounds of materiality, group accounting statements are not required for 2021/22. To this end, the Council’s interest in both companies continues to be reflected within the Council’s single entity accounts as a long-term investment (see Note 19). Further detail about the Council’s interests in companies and other entities is included in Note 32.

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Consequence if actual results differ from assumptions
Property, plant and equipment (PPE) valuations	
The Council's internal valuers provide valuations of operational land and buildings as at 1 April based on a 5-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.	Since valuations are compiled by an expert using recognised measurement techniques and based on professional guidance, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited. The balance of asset not revalued in year are reviewed by applying appropriate cost indices to ensure that the value of the Council's assets are not materially misstated at the balance sheet date. However, due to changes in economic conditions, a valuation taken on a different date could potentially result in a different outcome. A variation of 1% in the value of the council's land and buildings would be approximately £2.375 million. A reduction in the estimated valuations would result in a reduction to the revaluation reserve and / or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and / or increases to the revaluation reserve and / or gains charged to the comprehensive income and expenditure statement
Depreciation of property, plant and equipment	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by up to £166,077 for every year that useful lives had to be reduced.
Fair value measurements	
When the fair values of surplus / investment assets and financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the Balance sheet date; • For Level 3 inputs, unobservable inputs for example the use of a discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities.	The fair values of surplus / investment assets and financial instruments are measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. All valuations are undertaken by expert valuers in accordance with the methodologies and bases for estimation set out in the professional standards. As most estimates are based on current market information material changes to the carrying values are therefore not expected. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

Pensions liability	
The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Mercer Limited) is engaged to provide the Council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pension liability of changes in individual assumptions can be measured and some sensitivity analysis is included in Note 30. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.32 million. Uncertainties also remain in respect of the future impact of various legal judgements and the remedies proposed to resolve age discrimination in relation to public sector pension schemes. To mitigate this, estimation has been undertaken by the actuary based on the membership profile and other assumptions specific to the Council, rather than the scheme or Fund as a whole.

Accounting policies

Those principles, bases, conventions, rules and practices applied by the Council, which define the process by which transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured and where in the revenue account or Balance Sheet it is to be presented.

Accruals concept

The concept that income is recorded when it is earned rather than when it is received and expenditure is recorded when goods or services are received rather than when payment is made.

Actuarial gains and losses

For a defined benefit pension scheme, these are the changes in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Associate company

This is an entity in which the Council has a participating interest and over who's operating and financial policies the Council is able to exercise significant influence.

Approved budget

The planned expenditure and income for the financial year in the case of revenue, or over the life of the project in the case of a capital scheme.

CIPFA

Chartered Institute of Public Finance and Accountancy. The Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

Capital charges

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

Capital expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to (and not merely maintains) the value of an existing non-current asset.

Capital receipts

Income received from the sale of land or other capital assets, which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003. Capital receipts cannot be used to fund revenue services.

Collection Fund

The Collection Fund is administered by the Council to record the receipts from council tax and non-domestic rates and payments to the General Fund and other preceptors including Central Government.

Contingent asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the Council's control.

Contingent liability

Either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core

Comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Current service cost (pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Defined benefit scheme

A pension or other retirement benefits scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost, or revalued amount, of the benefits consumed during the accounting period relating to the non-current asset. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passage of time or obsolescence through technological or other changes.

Expected rate of return on pensions assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The price at which an asset could be exchanged in an arms-length transaction less, where applicable, any grants receivable towards the purchase cost of the asset

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial asset

A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or other financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Council.

Financial liability

An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash (or other financial asset) to another entity or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Council.

General fund

The main revenue fund of a local authority, which includes the net cost of all services, financed by local tax payers and Government grants.

International accounting standards

These accounting standards prescribe the methods by which all published accounts should be prepared and presented, and will over time replace UK accounting standards. Includes International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Impairment

A reduction in the value of a non-current asset below its carrying amount in the Balance Sheet.

Infrastructure assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest costs (pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Joint venture

This is an entity which the Council has an interest in and is jointly controlled by the Council under a contractual arrangement.

Minimum Revenue Provision

The minimum amount which must be charged to the Council's revenue account each year and set aside as provision for repayment of debt, as required by the Local Government and Housing Act 1989.

Net book value

The amount at which non-current assets are included in the Balance Sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net expenditure

The cost of providing a service after the deduction of any income.

Net realisable value

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating lease

This is a type of lease, usually vehicles or equipment where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Operational assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

Past service cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post-employment benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of the employment. Includes pensions but not termination benefits payable as a result of redundancy/voluntary redundancy, because these are not given in exchange for services rendered by employees.

Precept

A method by which local parishes, Lancashire Police Authority and Lancashire Combined Fire Authority obtain the income they require by Blackburn with Darwen Borough Council adding the precept to its own council tax and paying over the appropriate cash collected.

Property, plant and equipment

Tangible assets (i.e. assets with physical substance) held by the Council for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for more than one period.

Provision

An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

Public Works Loan Board (PWLB)

A Central Government agency which provides long and short term loans to local authorities at interest rates slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related parties

Two or more parties are related when at any time during the financial period one party has direct or indirect control of the other party, the parties are subject to common control by the same source or where one party has influence over the financial and operational policies of the other, or both parties are subject to the influence from the same source, to an extent that they might be inhibited from pursuing their own separate interests.

Related party transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

Amounts set aside for purposes falling outside the definition of a provision are considered as reserves.

Revenue expenditure funded from capital under statute

Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, e.g. private sector housing improvement grants.

Revenue support grant

A Government grant in aid of local authority services generally. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

Termination benefits

Amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The Code

Code of Practice on Local Authority Accounting in the United Kingdom (Based on International Financial Reporting Standards).

Blackburn with Darwen Borough Council

Annual Governance Statement
For the year ended 31 March 2022 and up to the date of the March 2024 Audit & Governance Committee

ANNUAL GOVERNANCE STATEMENT

Foreword by the Chief Executive – Chair of the Statutory Governance Officers Group

Blackburn with Darwen Borough Council recognises that there always will be risks that it must manage effectively. Whilst it recognises that due diligence will not always ensure that it gets things right first time, it continues to put in place assurance frameworks and enhance existing arrangements that are intended to ensure that its system of governance is fit for purpose and has flexibility to meet the challenges that the change agenda brings. During the year, the Council has had to put in place processes to allow it to continue to respond to Covid and the challenges the pandemic has had on the ability to continue to deliver priority services. As a result, alternative processes have been put in place to ensure that effective governance and decision-making arrangements have continued to operate during the year.

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance 2021/22 included the following:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of Strategic Director and Director annual assurance statements, which reflect the seven principles of good governance in support of the Annual Governance Statement.
- Regular deep dive review and challenge of corporate risks by the Audit & Governance Committee.
- Establishment of a chief officers' Corporate Assurance Board.
- Establishment of a Statutory Governance Officers Group (SGOG), which meets on a monthly basis.
- The Council's evidence submitted for the 2021/22 NHS Data Security and Protection Toolkit (DSPT) met the standards required to achieve compliance and enable the Council to continue to exchange data with the NHS.
- The IT infrastructure was assessed as sufficiently secure to connect to the Public Services Network.
- Continuing embedding of information security awareness through the annual refresh of the e-learning toolkit, and monitoring staff completion of mandatory training.
- On-going participation in the National Fraud Initiative.
- Approval of a corporate Risk Management Policy Statement and review and refresh of the Risk Management Strategy and Framework and supporting toolkit.
- Risk management refresher awareness sessions for Directors and senior managers.
- Revision of the Medium Term Financial Plan and Capital Programme.
- Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness against best practice guidance.
- The on-going formalised, structured member training and development programme including mandatory and optional courses.
- The Audit & Governance Committee routinely inviting senior officers to attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance in respect of key systems.
- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- The implementation of the new Children's Advice and Duty Service has continued to free up resources leading to a reduction in the volume of work in the service, resulting in a reduction in social workers caseloads and led to substantial savings across the service. It has also embedded strong partnership working.

- The Council has had a Local Government Association (LGA) Corporate Peer Challenge within the last five years in line with best practice. It concluded that the Council demonstrates a deep understanding of its local place and the challenges and opportunities these present for communities across Blackburn with Darwen.

SCOPE OF RESPONSIBILITY

As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement.

Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that:

- its business is conducted in accordance with relevant laws and regulations, and proper standards; and
- that public money is safeguarded and properly accounted for and

It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk, and to ensure that the responsibilities set out above are being met.

The Audit & Governance Committee fulfils the core functions of an audit committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) *Audit Committees - Practical Guidance for Local Authorities and Police 2018.* It monitors and responds to the work of internal and external audit and has overall responsibility for reviewing the framework of corporate governance.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the seven principles of the Framework. A copy of the Code is on our website at www.blackburn.gov.uk; it is contained within the Constitution. This statement explains how Blackburn with Darwen Borough Council has complied with the seven principles set out in the Framework during 2021/22 and the Code and how it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and it can therefore only provide reasonable, and not absolute, assurance of effectiveness. It is based on a continuous process that is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of both those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2022 and up to the date of approval of the annual statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has had robust systems of internal control, corporate governance and risk management arrangements in place for many years, which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

Some of the key features of the governance framework are set out in the following paragraphs.

<u>Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</u>

1. **Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.**
   The Council Constitution contains codes of conduct for Members and officers. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the Code of Conduct as part of their induction. All Members need to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website. New staff appointees sign the staff Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of personal interests, in accordance with the recently revised Standing Financial Instruction 12 – Register of Personal Interests. The latter are reviewed at least annually. The Employee Code of Conduct was updated in October 2013 and is reflected in the Constitution.

2. **Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.**
   The Council is legally and constitutionally obliged to maintain and keep up to date its constitution. The Council Constitution was updated in October 2021 to reflect the resolutions/decisions made at Full Council since March 2021. This included changes in organisational structure previously noted and agreed, statutory changes and changes to the delegations.

   The annual update also reviewed Executive Member portfolio responsibilities and the Council's strategic objectives. Amendments are made as necessary during the course of the year to reflect changes in the law and others changes which would require full Council approval. The Constitution is due to be further reviewed and updated this year to reflect the further changes to the organisational structure and the revised Member Allowances Scheme approved at Finance Council in February 2022, and a review of the officer delegated powers as well as changes to the Executive Member portfolio responsibilities. There is currently a review ongoing in relation to the Financial Procedure Rules and Contracts & Procurement Procedure Rules, which will need to be approved by full Council.

The Council has adopted the Leader and Executive model of governance. The Council's Constitution sets out the relative roles and responsibilities of the Leader and Executive, Officers and Committees of the Council. It defines, through the procedure rules, how day-to-day activities must be undertaken and it allocates statutory responsibilities to designated posts/positions. . The decision-making processes are also defined by the Constitution and Executive Member decisions and "key decisions" may only be taken after both the Finance and Legal departments have been consulted and considered any implications. The Constitution also sets out the overview and scrutiny arrangements, including the review ('call-in') of executive decisions.

At the start of the pandemic, decision-making meetings were paused until national legislation was enacted and local technology was put in place to permit on-line meetings. Since then all council meetings, including scrutiny and other business had been conducted through remote means to ensure that the Council has continued to be governed in accordance with its constitution and decisions have been properly made. Since 6 May 2021 the legislation allowing remote council meetings expired and the Council reverted to face to face meetings. .

During the pandemic no existing delegations or powers were altered, nor have any additional powers/delegations been provided to the Chief Executive or any other officers. There is a delegated power in the constitution for the Chief Executive to incur expenditure or take action in an emergency or disaster, which was used as required at the start of the pandemic. This power was used after consultation with/approval from the Leader, formally recorded as an officer decision, and published as usual.

The respective roles of the Section 151 Officer, Monitoring Officer, the statutory Scrutiny Officer and Senior Information Risk Officer (SIRO) ensure legality, financial prudence and transparency in transactions in accordance with legislative requirements.

Temporary arrangements were put in place during the year to realign responsibilities, primarily through two existing senior members of the extended leadership team, as a result of the retirement of the Director of HR Governance and Engagement. Permanent arrangements are now in place following approval by the Chief Officer Employment Committee to appoint the interim Strategic Heads of Services, Legal & Governance and HR & Engagement to the roles of Deputy Director, Legal and Governance and Assistant Director, Chief Executive's Department, respectively. This builds on and retains the strengths in the leadership team that we already have, whilst ensuring that we remain resilient and ready for the challenges and opportunities now and into the future. The overall commitment is to strengthen our resilience and strategic capacity, provide for improved succession planning and career pathways for senior management, development opportunities for other staff and more collaborative working across departments, without increasing overall costs.

A Corporate Assurance Board was established during the year. This sits alongside the existing Corporate Leadership Team (CLT). This Board provides effective assurance and challenge in respect of the Council's overall performance in meeting its strategic objectives and statutory duties. This has increased the Team's focus in the right areas and improved its effectiveness as a senior team. The Extended Leadership Team continues to meet on a regular basis alternating workshop sessions and bite sized update meetings. This has provided flexibility to discuss items such as borough events, elections, constitutional matters, urgent operational issues and planning for member meetings. Team activities have also been undertaken to develop CLT working together effectively as a group.

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors. The policy, research and partnerships team produce an Annual Significant Partnerships Governance checklist, which is reviewed and audited by internal audit prior to the final report being taken to Audit & Governance Committee. Governance arrangements are also set out in the Constitution.

The Council has a procedure for recording and publishing decisions made by officers, in line with the Government's transparency agenda and the Access to Information Procedure Rules in the Constitution. Such decisions are subject to the scrutiny arrangements outlined in the Constitution.

The LGA Peer Challenge team reported that members from all parties feel able to challenge the executive through scrutiny, without a detrimental impact on relationships and that the use of scrutiny appears appropriate.

<u>Principle B – Ensuring openness and comprehensive stakeholder engagement</u>

3. **Review the Corporate Plan and Vision and translate into objectives for the authority and its partnerships.**
The Council's corporate plan 2019-2023, was developed for everyone - councillors, staff, partners, residents, businesses – who can all support the Council and the Borough in being the best it can possibly be. We cannot do this on our own. We need our public and private sector partners to work with us to create jobs; build and improve homes; increase skills and qualifications; support communities; improve health and wellbeing etc.

The Council continues to work in partnership with other organisations in many different partnerships, with other councils, businesses, public sector bodies as well as the voluntary, faith and community sector.

It values these Partnerships, and these are evident in established mature partnership structures, e.g. Health and Well-being Board, The Hive business network and more recently the Our Communities, Our Future Board.

In working with the Department of Levelling Up, Housing and Communities (DLUHC) the four priorities in Blackburn with Darwen's Our Community, Our Future strategy are:

1. To increase economic prosperity for all the borough's communities as an essential prerequisite for social integration.
2. To strengthen relationships between the borough's diverse communities (focussed predominantly on adults).
3. To build connections and strengthen relationships between young people who live in the borough's diverse communities.
4. To connect the borough's disadvantaged communities to shared spaces – linking people and neighbourhoods to zones of employment, physical assets, community shared spaces and social action.

We are also working with Sport England, as the accountable body for Pennine Lancashire's 'Together an Active Future' partnership. The £13m of available funding will enable the six Local Authority areas to work together with people and partners to test different to understand why not enough people access the wide range of activities, that are already available in Blackburn with Darwen, and to change ways of working to better support people who are inactive and affected by poor mental wellbeing. However, the Pilot will, through whole system change, look to have a direct impact on the whole population, the majority of whom experience below average health and wellbeing and could benefit from increased levels of physical activity.

When developing the Corporate Plan, the Council established what will be done to deliver the ambition and how progress against this delivery will be measured. The success of the Corporate Plan is measured through a performance management framework with Key Performance Indicators (KPIs) which are measurable and meaningful.

The Corporate Data and Policy teams work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans.
At Policy Council in December 2021, members agreed to refresh the corporate plan to take into account the impact of COVID on both the organisation and the borough. While that refresh is taking place, the current corporate plan outlined above still stands.

A programme of engagement is being undertaken so residents, businesses and partners can help shape the plan. The programme includes a residents' survey.

4. **Measure the quality of services for users.**
In autumn 2018, the Council undertook a resident survey to gain a better understanding of the opinions and views of residents and their priorities. Survey methodology was via a random sample postal survey and an online survey published on the Council website.

Respondents reported the highest level of satisfaction with refuse collection and doorstep recycling (68%) and sport and leisure facilities (66%) out of the services listed. Almost three quarters (73%) thought that the Council promotes a good image of the Borough 'a great deal' or 'to some extent'. A large proportion also felt that the Council treats all types of people fairly 'a great deal' or 'to some extent' (67%) and uses new technology to deliver services well (63%).

Customer / resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council, and as such key measures are included in the current Corporate Plan and customer service is an embedded principal in all council work and specific arrangements exist within statutory services around adults and children social care.

A further residents survey is currently being undertaken which will include a representative sample of interviews and an open survey element.

5. **Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**
As well as a constantly updated online version of The Shuttle, a hard copy magazine called the Shuttle Extra is now published annually and delivered to homes throughout the borough. Both the hard copy and online versions contain latest news, decisions and service updates and information about the Council budget and Council Tax. Automatic updates whenever a new article is published on the Council's website are also available via social media channels. Media enquiries are dealt with promptly following agreed protocols. Commercial services across the council also operate their own marketing. Stakeholder communication is part of normal service delivery both at a corporate level and within services and projects.

The Council is committed to working together with residents, businesses and partners, to develop a local solution to local problems. By making volunteering easier and working with these groups, the Council is supporting and helping to implement their ideas to improve their streets, neighbourhoods and towns. The Lancashire Volunteer Partnership is also a very significant asset to the way we work and empower communities. This has been very visible during the Coronavirus pandemic.

The Council has engaged with a number of established community groups throughout the pandemic, to work together to support the local community. As a result, there are now a number of Covid Community Champions in place. These volunteers have worked with Council staff to help share the latest public health information from the Council and local NHS to make sure that their neighbourhoods remain healthy, safe and well.

The Council website provides access to Council papers, including Committee agendas, minutes, relevant reports and decisions. Since March 2020, there has been a dedicated section on the website providing local Coronavirus information, advice and support for residents and businesses.

The Council takes the views of all the groups into account when preparing its budgets. In advance of final decisions on the budgets, the potential impact on individuals, services and the voluntary and community sector is considered. As each service is reviewed and final recommendations are made Equality Impact Assessments are undertaken.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

6. **Enhance the accountability for service delivery and effectiveness of other public service providers.**

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors.

Blackburn with Darwen was one of the first areas in the country to set up a Health and Wellbeing Board as part of government changes to the NHS. The board, run by Blackburn with Darwen Council, leads on improving the strategic co-ordination of planning and buying local health services, social care for both children and adults and public health services to promote more local control over those services. All organisations working in those areas will, through the board, develop a shared understanding of local need and agree the best strategy to meet that with the funding and resources available.

The Blackburn with Darwen Community Safety Partnership (CSP) has merged with the CSP's of Burnley, Hyndburn and Rossendale following agreement by members and the Police and Crime Commissioner of Lancashire. Blackburn with Darwen administers the new Pennine Lancashire Community Safety Board and retains its duty as a Local Authority alongside the Police, Fire Service, Clinical Commissioning Groups, National Probation Service and Community Rehabilitation Company to work together to reduce crime and anti-social behaviour.

The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving positive outcomes for vulnerable individuals, families and communities.

Beyond the borough, the Council continues to work with Councils and partners across Lancashire on a range of work programmes including economic development, housing, skills, environment and health and wellbeing. As part of this work programme, the Council is the accountable body for the Lancashire One Public Estate Programme. Lancashire Leaders from all 15 local authorities are also committed to working together on a strategic plan for Lancashire 2050 and a potential devolution deal with government.

Work is also ongoing with colleagues from the NHS, other local authorities, the community and voluntary service and other partners to transform the health and social care system across Pennine Lancashire local delivery partnership under the Healthier Pennine Lancashire programme. The programme is part of the Healthier Lancashire and South Cumbria Integrated Care System (ICS), which will become a statutory Integrated Care Board (ICB) in July 2022.

7. **Incorporate good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**
   The Council continues to undertake sound governance arrangements with its partners.

   Significant partnerships have continued to be identified and assessed since 2012. The Significant Partnerships Register was taken to Audit & Governance Committee in March 2022 and the Register will be reviewed in six months to capture any changes before the annual review.

   The Council is also the host authority for the Lancashire Police and Crime Panel. The Council provides legal and secretarial advice and support to enable the Panel to carry out the functions and responsibilities set out in the Police Reform and Social Responsibility Act 2011 and the Regulations made under it.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

8. **Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**
   The Constitution provides the framework for decision making. It includes delegations to various committees, Executive Members and officers, and also scrutiny arrangements for holding decision makers to account. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer, and is responsible for ensuring lawfulness and fairness of decision-making.

   External formal monitoring of the Council's data quality arrangements are no longer required by external audit. However, the Council's previous monitoring arrangements have continued to be operated. Council processes have been reassessed in light of the requirements of the Single Data List published by the Department for Communities and Local Government. Training and awareness raising sessions continue to be delivered as and when required, alongside formal checks on performance indicator files and monitoring / recording processes. The Data Quality Policy (Performance Data) was revised in April 2019 to reflect the changes in reporting arrangements and staff within the Council. The Council is currently developing a Data Strategy, which includes a baselining exercise to assess the level of data maturity across the organisation. The Data Quality Policy will be assessed during 2022/23 and revised in line with the planned introduction of corporate data standards.

   Work is continually underway to assess the Council's compliance with the Government's Code of Practice on Transparency, and any areas recommended for improvement will be addressed and monitored through existing data quality arrangements.

Over the course of the year the Council has continued to carry out and record equality analysis and impact assessments as a key stage in the decision making process.

The Council is reviewing its Equality, Diversity and Inclusion work and continues to use the Equality Impact Assessment (EIA) Toolkit. Training for EIA and Equality and Diversity is available for staff. This helps demonstrate due regard of the impact of service reviews on protected groups, staff and local residents, whilst ensuring a level of bureaucratic balance with a 'screening' element to the EIA process and is in line with legislative requirements. This process continues to work well and the team continue to support colleagues.

Senior Management Teams (SMT's), and Elected Members within their respective service areas, are engaged in understanding the outcomes of consultations and the impacts of decisions as part of organisational change.

The annual Audit and Assurance Plan and supporting Strategic Statement set out the internal audit resources and skills required to deliver an effective internal audit service for the Council each year. The staff resources are considered adequate for the Council's current needs to ensure that it meets the requirements of the Accounts and Audit Regulations. The resources are prioritised to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes for the higher priority areas identified in the annual Internal Audit Plan, which is approved by the Audit & Governance Committee at its meeting in March/April each year. Reviews of these areas are required to inform the Head of Audit & Assurance annual internal audit opinion which contributes to the Annual Governance Statement.

Principle E – Developing the entity's capacity, including the capability of its leadership and individuals within it

9. **Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**
   The Council has invested in a new Organisational Development Programme, with one of the four workstreams being leadership & management development. This includes reviewing the training needs of Elected members including a comprehensive Elected Member induction programme, for newly Elected Members.

   The leadership & management development programme will develop a clear leadership framework, which includes our leadership culture and expected behaviours.

   There will be a full range of support, development and interventions which include access to ILM programmes, strength based leadership programmes, a library of tools and resources, coaching, mentoring and opportunities to support career development into more senior management and leadership roles.

   The Council will be aiming to take on at least two graduates, under the LGA's National Graduate programme.

Principle F – Managing risks and performance through robust internal control and strong public financial management

10. **Review the effectiveness of the framework for identifying and managing risks and demonstrate clear accountability.**
    Overarching responsibility for risk management lies with the CAB. Chief Officers are identified as owners of the risks identified in the Corporate Risk Register. The corporate risk register is

considered by CAB on a regular basis. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit & Governance Committee meeting. The Committee also carries out a detailed review and challenge of a selection of corporate risks on a regular basis during the year.

A corporate Risk Management Policy Statement has been implemented during the year. It is a key element of the Council's corporate planning process and the Corporate Governance Framework. The Policy Statement sets out the Council's intent with the management of risks. It includes a definition of the Council 'appetite' for risk across a range of key risk categories. These are based on a selection of relevant key risk categories recommended in The Orange Book – Management of Risk, Principles and Concepts (2020) published by HM Government.

The Policy and supporting Strategy and Framework will provide a consistent corporate approach to ensure that robust and effective risk management procedures are embedded into the Council's culture so that risk management is an integral part of the decision making process and the supporting systems and procedures used by Members, Chief Officers and staff at all levels. The Policy Statement and Risk Management Strategy and Framework set out the Council's approach for the systematic management of risk, the culture and roles and responsibilities of all managers and decision makers to achieve this.

The Risk Management Toolkit and risk register provide a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting.

During the year, the Council has had to respond to and manage a significant number of new and emerging risks due to the need to respond to the impact that Covid has continued to have on the Council's services and activities and the local community. The primary focus has been on the new risks relating to the Council's response and recovery from the pandemic, whilst maintaining as much business as usual activity as possible, safely and effectively.

The Executive Member and Executive Board Decision templates include a section to record and consider key risks as part of the decision making process. The Management Accountability Framework (MAF) Director's Exception/Dashboard Report also contains a risk section.

Directors are required to confirm that there are sound corporate governance, control and risk management arrangements operating within their Departments, in accordance with the Council's procedures and practices that uphold the Code of Corporate Governance, on a six monthly basis. They should identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This report is reviewed, along with progress against the Corporate Plan priorities, and reported to the Chief Executive and the Audit & Governance Committee through the MAF thematic summary included in the Audit & Assurance Progress Reports.

The six monthly assurance statement covers the effectiveness of the internal controls, risk management and governance arrangements within Departments and relevant corporate risks. This includes safeguarding assets, monitoring compliance with Council policies and objectives, budget management, risk management, and health and safety. MAF is an evolving process and refinements and extensions to its coverage will continue.

The Statutory Governance Officers Group (SGOG) draws together the sources of assurance, including those provided through MAF, and, having challenged them, produces the Annual Governance Statement for consideration by the Audit & Governance Committee. The SGOG is chaired by the Chief Executive and has the Monitoring Officer, Senior Information Risk Owner and Section 151 Officer as members.

The Council produces integrated financial monitoring reports covering revenue and capital expenditure. The Council introduced a new Financial Management System from 1st April 2017, this produced immediate working efficiencies, cost savings and facilitated the production of more timely and detailed information to Members and Officers at all levels. The system continues to be developed and produce cost and working efficiencies both within the Finance Department and the Council as a whole.

The Departmental Business Continuity Plans and the Functional Emergency Plans are constantly being reviewed and streamlined. Over the next 12 months all of the departmental business continuity plans will be reviewed and updated to reflect lessons learnt from our experience of COVID-19. The structure of the organisation has also changed resulting in plans being further amended. The Emergency Plans now have Standard Operating Procedures (SOPs), essentially a "plan on a page" to assist Strategic Officers quickly assess information when/if they have to attend the Strategic Co-ordinating Centre at Police Headquarters. The Corporate BC Plan contains all Critical/Priority Functions and essential prioritised services at the White Dove Centre in times of IT outage etc.

The corporate Emergency and Business Continuity plans are tested annually in alternate years. The corporate exercise for March 2022 was based on a flood response scenario (Emergency Planning). This exercise not only provides training to attendees but it also an opportunity for plans to be tested and any amendments made where required. We are still supporting the response/recovery phases of the pandemic and departmental plans are flexing to meet the needs of each department as we move into recovery.
The Resilience & Emergency Planning Service delivers an annual corporate training programme to staff and volunteers to ensure that they are all trained in their roles they are either expected to perform or volunteer to perform for the Council. The Resilience & Emergency Planning Service has responded to a number of concurrent emergencies in the community whilst supporting the ongoing response and recovery element to Covid-19.

The Resilience & Emergency Planning Service will continue to deliver a programme of training/exercising, emergency preparedness and response to an emergency or disruption. This is now a mandatory service provision to ***all*** Schools in the borough, including Independent, Free, Academy and Community schools to ensure consistency. To further support this the team have now developed an SLA, which school can purchase to access the support required for emergency preparedness.

The Corporate Health and Safety policy clearly states that health and safety is the responsibility of ***all*** employees and managers within the Council, with clear leadership from Chief Officers. The Chief Executive retains overall responsibility for the management of health and safety in the Council. The Policy, which was updated in March 2022 and is due to be reissued shortly, along with the system of safety procedural and guidance documents, outline the arrangements in place to meet the Council's statutory duties.

The Health and Safety Committee meet quarterly for senior managers to discuss key issues and actions taken to address these. Accident, incident and near miss statistics and trends are reported at this forum and improvements to health and safety are discussed and agreed. Incident data is also provided to Chief Officers on a monthly basis. Health and Safety Task Groups and Task and Finish Groups are also commissioned from time to time as appropriate, more recently the Health & Safety Action group for services at Davyfield Road Depot has also been re-established, with further groups for other main settings also being prepped for re-establishing.

Employees receive health and safety training upon induction and in line with role requirements thereafter. A range of classroom courses and e-learning training is available to all members of staff. Chief Officers agreed to some mandatory health and safety e-learning for all employees, to be refreshed on a three yearly basis. Currently these are Health and Safety in the Workplace, Manual Handling and Fire Safety Awareness; this will be reviewed in 2022.

A rolling health and safety audit programme is in place for the Council, with higher risk departments and services prioritised. Service Level Agreements are offered to schools across the Borough for a health and safety service, with over 50 schools purchasing this service from the team. Over the last 2 years due to COVID-19, the team have continued to work closely with both schools and council teams, reviewing risks and supporting their plans for a safe management of COVID-19 in the workplace. Our service provision will continue and we will look for new and innovative ways to deliver this. Other forms of health and safety support during the pandemic have been via our staff partaking on advisory groups such as the Education Response Team, the Social Care Covid Response Group and the Events Safety Advisory Group and this support is ongoing. This has allowed us input to enable more robust due diligence systems across these important areas.

In addition to the above some of the operational activity to support health and safety includes:

- Working in conjunction with insurance, identifying risks and threats to the council. Supporting insurance in the defence of civil claims against BwDBC.
- Conducting petrol filling station visits on behalf of Public Protection (relating to fire, explosion and environmental risk).
- Provision of inspections and advice around the operation of the Davyfield Road depot.
- Concentrated advice and support in setting up a community hospital / extra care facility at Albion Mill.
- Advice to multi faith settings on Covid-19.

The Council has an online portal for staff to report all accidents, incidents and near misses. All reports are investigated and steps are taken to reduce the chances of a recurrence. Five (5) incidents were reported to the HSE via RIDDOR in the 2021-22 period. This compares to seven (7) incidents during 2020/21.

11. Ensure the financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2016).

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In March 2021 the Finance Council approved the Chief Executive assuming the Section 151 Officer responsibilities when the previous Director of Finance left the Council at the end of April 2021, pending the appointment of a new post holder. The new Director of Finance took over the role when he joined the Council in August.

12. Ensure the assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010).

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit.

The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

i. objectively assessing the adequacy and effectiveness of governance and management of risk, giving an evidence based opinion on the of all aspects of governance, risk management and internal control; and
ii. championing best practice in governance and objectively commenting on responses to emerging risks and proposed developments.

To perform this role the Head of Internal Audit must:
i. be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit & Governance Committee;
ii. lead and direct an internal audit service that is resourced to be fit for purpose; and
iii. be professionally qualified and suitably experienced.

13. Financial Management (FM) Code of Practice.

CIPFA launched the FM Code of Practice in November 2019. It was developed on behalf of MHCLG in the context of increasing concerns about the financial resilience and sustainability of local authorities.

The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

Local authorities are expected to demonstrate that the requirements of the Code are being satisfied and full compliance is expected for 2021/22.

The Code is set by CIPFA on behalf of MHCLG. Compliance with the Code is obligatory but is not currently referenced in legislation meaning that it is not statutory guidance. However, it draws heavily on existing statutory guidance:

- Role of the Chief Financial Officer in Local Government;
- Prudential Code for Capital Finance; and
- Code of Practice on Local Authority Accounting in the United Kingdom

The FM Code has six key themes aimed at strengthening the financial resilience and sustainability of local authorities:

(i) Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
(ii) **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
(iii) Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
(iv) Adherence to professional **standards** is promoted by the leadership team and is evidenced.
(v) Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
(vi) The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Performance against the six key themes is measured by 19 standards, which are arranged over seven sections:

(i) The responsibilities of the chief finance officer and leadership team
(ii) Governance and financial management style
(iii) Long to medium-term financial management
(iv) The annual budget
(v) Stakeholder engagement and business plans
(vi) Monitoring financial performance
(vii) External financial reporting

The first full year of compliance with the FM Code is 2021/22. An assessment has been made of the Council's current compliance with the 19 Standards in the Code. The assessment has identified that the Council is well placed to evidence compliance with the Code.

14. Ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.

The Audit & Assurance Team takes part in the National Fraud Initiative on behalf of the Council and monitors the completion of the fraud awareness e-learning package by staff. It also monitors whistle-blowing calls and emails received by the Council and carries out investigations into reports of potential or suspected fraud and non-compliance with financial policies and procedures or financial irregularities.

The Council's Counter Fraud Policy Statement and Strategy was approved in March 2016. The Statement and Strategy have been prepared in accordance with the CIPFA Code of Practice on managing the risk of fraud and corruption for public service organisations (2014). The document sets out the Council's approach to the management of fraud risks and defines responsibilities for action.

Having considered all the principles, the organisation has adopted a satisfactory response that is appropriate for the fraud and corruption risks identified and commits to maintain its vigilance to tackle fraud.

15. Ensure effective management of change and transformation.

The Council is now approaching the end of year 1 of the 3 year Digital Strategy which covers four work streams:

- Digital first for our services.
- Enable transformation for our staff.
- Data driven organisation.
- Secure and resilient technology.

The Strategy sets out what we will do to make Blackburn with Darwen a truly digital council and borough over the next three years and beyond. The aim is to enable positive impacts to the way people live, connect and work. It is our challenge to effectively engage with, understand, collaborate and better serve our customers and communities in digital first environments over the next three years and beyond. The scope of the Digital Strategy is a large portfolio of work and requires a wider remit for governance. Each of the four work streams has its own governance board in place and each are chaired by the Strategic Director of Resources:

- For work stream 1 and 2 there is a monthly Projects Review, noting that projects with a significant value additionally have project boards;
- Work stream 3 is in the process of setting up a data steering committee; and
- Work stream 4 is governed by a bimonthly Tech Assurance Board.

16. **Ensure effective arrangements are in place for the discharge of the monitoring officer function.**
The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer formed part of the specific responsibilities of the Director of HR, Governance and Engagement until 13 September 2021. In July 2021, Council Forum approved temporarily transferring the functions to the Strategic Head of Service, Legal & Governance. This has now been made permanent and the role is Deputy Director, Legal & Governance

17. **Ensure effective arrangements are in place for the discharge of the head of paid service function.**
As Head of the Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and governance arrangements and to apply these in practice.

18. **Undertake the core functions of an audit committee.**
The Audit & Governance Committee provides independent assurance and high level focus on the audit, assurance and reporting arrangements, which underpin good governance and compliance with financial standards. It provides independent assurance on the adequacy of the risk management framework, and internal control environment and to the extent that these meet the objectives of the Local Code of Corporate Governance. It oversees the internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place. This includes the integrity of financial reporting and annual governance processes. It also provides independent scrutiny of the Council's financial and non-financial performance to the extent that it affects its exposure to risk and weakens the control environment.

The Audit & Governance Committee is responsible overall for monitoring compliance with policies and procedures and for setting defined standards, where need be; this includes responding to reports from the Council's external auditor.

The Audit & Governance Committee has continued to monitor its own effectiveness against the criteria outlined in the CIPFA Audit Committees Practical Guidance for Local Authorities and Police. The overall results reported to the Committee in March 2022 showed that there is a strong belief by its members that the Committee is operating effectively.

19. **Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**
Directors are responsible for ensuring that, within their areas of responsibility, they establish and maintain effective systems of risk management, governance and internal control, complying with legislation, grant rules, the Council's own rules, etc. This includes both responding to recommendations by internal and external inspection processes and working with partner organisations.

A key element of assurance available to the Council and the Audit & Governance Committee are the annual assurance statements made by each of the directors that support the Annual Governance Statement. These require each director to take personal responsibility for the operation of adequate and effective governance and internal control systems within their departments, which include compliance with applicable laws and regulations. The directors' assurance statements closely reflect the seven CIPFA/SOLACE principles of good governance and the Council's Local Code of Corporate Governance.

The Council has submitted evidence for the 2022/23 NHS Information Governance Toolkit (DSPT). The submission is subject to NHS audit, this will enable the Council to continue to exchange data with NHS bodies should our compliance evidence be accepted.

Risks identified during 2021/2022 include 20 outstanding historical Children's Social Care subject access requests that carry risk of non-compliance with legislation, as they are significantly overdue. The risk of non-compliance with new Subject Access Requests within Children's Social Care is also raised. One FTE post was transferred into the Information Governance Team in 2020/21. Whilst existing IG members are continuing to assist with the volume of requests, with a single specialist resource in this field in place, there is a single point of failure/risk. This is a significant role requiring specialist knowledge of Children's Social Care processes. Additional resource requirement has been formally identified and an apprentice post has been applied for. This needs close attention over the next 12-18 months considering the existing post holder is close to retirement. The consequences of this risk materialising include enforcement action and potential civil monetary penalties issued to the Council by the Information Commissioner. The statistics on compliance will continue to be escalated via the Quarterly SIRO report.

During 2021/22 (to date) there were three complaints made to the Information Commissioner's Office (ICO). This is an 80% decrease on the number of complaints registered with the ICO in 2020/2021 (15)

During 2021/22 there were 77 recorded information security incidents. This is an 18% decrease on the number of information security incidents registered with the Information Governance Team in 2020/2021 (94). Incidents where the cause has been identified as process failure as opposed to human error will continue to be reviewed to ensure the suggested remediation actions have been completed within the timescale required. All human error breaches have been followed up with line management instructions and retraining where appropriate.

Audit & Assurance produces an internal audit charter and annual plan that are approved by the Audit & Governance Committee. The annual plan examines the Council's systems of risk management, control, and governance. It reports to individual managers on the outcomes of its audit reviews, agreeing management actions with them. Finalised reports and action plans are issued to relevant Directors. The team also regularly reports to the Audit & Governance Committee on the progress and outcomes of its planned work. At the year end, a mandatory Head of Internal Audit opinion report is produced, which is part of the Annual Governance Statement process. Routinely during the year Audit and Assurance reports to the Chief Executive and Audit & Governance Committee on governance matters of particular importance through its independent reviews of MAF Exception reports.

20. Whistleblowing and for receiving and investigating complaints from the public.

The Council's Whistle-blowing and Corporate Complaints Policies are available on the Internet. Both define what steps will be taken in investigating complaints or allegations of potential or suspected fraud or irregularity from staff or members of the public.

<u>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</u>

21. **Identify and communicate the vision and intended outcomes for citizens and service users.**
A key part of the corporate culture at Blackburn with Darwen Borough Council is for residents, elected members and staff to have a clear overview of the Council's priorities for service delivery. This is communicated in the form of a published Corporate Plan.

In March 2019, Council Forum agreed the refresh of a new corporate plan for 2019-2023. The Plan and its eight new priorities was launched after Annual Council in May 2019; after extensive consultation with residents, staff and members. It was also agreed that a new performance framework should be developed to outline key performance indicators (KPIs) and reporting mechanisms to ensure the Council's performance against the new priorities can be measured. At that time there was also a change to Executive Member Portfolios.

Robust performance management arrangements have continued in 2021/22 to monitor 73 performance measures and ensure the delivery of the Corporate Plan. However, the Council has been responding to the emergencies of the Coronavirus pandemic. There are some instances where data was not available for all 73 KPIs.

Member and officer led challenge processes have taken place, with reports to the Leader of the Council and Corporate Leadership Team (CLT). The focus has been on improving services, delivery of the corporate priorities and strengthening accountability to Elected Members.

Six monthly corporate plan performance challenge meetings take place in late October / early November for quarters 1 and 2 prior to reporting to Policy Council in early December; and again in late April / early May for quarters 3, 4 and for the year-end outturn prior to reporting to the Executive Board in June.

Priority issues are highlighted and discussed with all directors and the Chief Executive. These issues are highlighted for progression to CLT prior to being included in performance reports, which are discussed with the Leader of the Council and challenged at PDS prior to final overall performance reporting and challenge at Executive Board or Policy Council.

A challenge summary is produced by the Policy & Research Officer and is used to brief the Chief Executive. The summary includes data for discussion on the Corporate plan, Management Accountabilities Framework (MAF) and any other key items pertinent for discussion; for example, HR data (sickness and Health & Safety), Business Plans, good news stories, key dates etc.

The PDS Challenge process includes a pre-brief with the Leader of the Council prior to the Leader challenging each Executive Member and the Executive Member group overall. This process has served to satisfy and sharpen the level of political ownership and engagement in the performance management process, whilst also strengthening the accountability of senior officers around monitoring and reporting against corporate priorities.

The Executive Board / Policy Council receives a report on the performance of all the Council's Corporate Plan performance measures.

The report also includes areas of underperformance, which are explained in more detail by an exception report. As part of the transparency agenda, any performance indicators that are collected and reported are likely to be listed on the internet and may be subject to public scrutiny. Therefore, key performance indicators must be relevant and robust.

As the Borough went into the first full lockdown of the pandemic, the Council began to identify its critical functions and priorities and assess its ability to fulfil them. Information was gathered from every service to support a corporate response and situation reports began to be compiled regularly for the whole organisation. This information was used to assess the services with the greatest need for additional support and those with some capacity to assist, and since then the Council's resources have been actively managed. The main focus has been on care-related services, and resources were concentrated on supporting the most vulnerable individuals.

The Council’s political and managerial leadership is widely respected. The confidence that partners have in the Council is in part inspired by its track record in stepping up to its responsibilities in partnerships across Lancashire and by its ability to deliver. Political and managerial leaders are experienced and, along with wider membership of the Council and staff, are passionate and committed to the area. This gives the Council a clear understanding of the place and its communities.

The Medium Term Financial Strategy (MTFS) is reviewed at Finance Council, and builds upon the priorities agreed at Policy Council and identified within the Corporate Plan.

Title	CIPFA Criteria	2020/21 Issue	2021/22 Action taken
1. Children's Services Financial Position	1,2,3,4	The Children's Services budget position continued to face demand pressures in 2020/21 and these are expected to continue into 2021/22. However, the portfolio managed to reduce expenditure substantially during 2020/21 in comparison with 2019/20, as the strategies implemented to reduce demand have proven to be successful. In addition, the work conducted to establish a joint commissioning framework with Health has brought in additional contributions towards placement costs and packages of care. The final outturn position for the portfolio will be heavily dependent on the allocation of funds awarded to the Council in relation to Covid-19.	**Year-end Update 31 March 2022** We are currently working through the year end closure of accounts and as such the final outturn is not yet known. However it is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2. The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets. The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.
2. Adult Social Care Commissioning	1,2,3	Pressures for 2020/21 have continued within the Adults Commissioning budget due to increased demand for social care services. Costs within the Commissioning budget have escalated over the winter months due to Covid-19 and we are beginning to see an increase in the acuity of care needs as a direct impact of the Covid-19 pandemic. Some of our providers have been impacted significantly by Covid-19 and have suffered much reduced levels of	**Year-end Update 31 March 2022** The year end position for the portfolio is significantly improved and based on current levels of demand and information the net spend for the portfolio for 2021/22 is

		occupancy within their care homes. As such, the Portfolio has provided occupancy payments during the course of the pandemic to support those providers and to enable providers to maintain financial sustainability and reduce the risks of providers of exiting the market. The portfolio is also starting to see pressures from the mental health service pathways with more cases being reported where there is a shortage of crisis and rehabilitation beds. Ability to recruit and retain workforce is also a growing concern and may require the council to further prioritise services in order to keep our most important services resilient. In particular recruitment in re-ablement and crisis support remains a challenge. The registered care and domiciliary care sectors are also impacted by workforce pressures. Recent engagement with providers in relation to the Provider Fee uplifts has further highlighted the escalating costs of care as a direct result of the Covid-19 pandemic. In addition, the portfolio has incurred additional staffing costs and commissioned costs around Crisis support as a direct result of the pandemic. The department has a strong monitoring and performance management approach to commissioned care but there are significant improvements which can be made. The benefits of merging ASC Finance with the Commissioning team are now evident in the work we are beginning to do across the team to review services, together with our work across the wider Lancashire and South Cumbria system and ADASS groups on market shaping and the development of our commissioning strategies but this remains challenging within existing resources and the Covid-19 response.	predicted to be an underspend in the region of £2.2m. Pressures exist within the commissioning budget particularly on domiciliary care due to additional demand and increased acuity of need impacting on the cost of care. However continued utilisation of our demand management strategies and review of our most complex cases and higher cost packages has resulted in an overall underspend. The majority of the current underspend is as a result of one off income in this financial year. Discharge to Assess income from Health in respect of Covid-19 care costs, additional one-off unplanned receipts and associated budget adjustments for Continuing Health Care contributions from the CCG, ordinary residence disputes which have been resolved, and reclaims of individual direct payment budgets. Direct Payment clawbacks are predominantly due to under utilisation as a result of the pandemic, and reviews of assessed needs. Delays in the mobilisation of Albion Mill has also contributed to the in-year position. The increased demand in domiciliary care and cost of individual care packages due to acuity of needs should be noted as it is likely these pressures will impact on the 22/23 budget as one off income streams are no longer available. Recruiting social care staff has continued to be challenging and has resulted in significant staff vacancies and underspending within non commissioning budgets. It is hoped that this is a temporary issue due to the difficulties being experienced by the whole sector in recruiting

			and retaining social care staff during the pandemic. However social care workforce capacity has now become a key risk for the department and the Council. Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs). These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23 which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan. The Government have announced a Market Sustainability and Fair Price for Care Grant for 22/23, which requires local authorities to undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further budget pressures which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services.

			The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget and resource requirements. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a significant impact on the department at the same time as our preparations for full CQC inspection. The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.
3. Impact of COVID-19 on the financial position of the Council	1,2,3,4,5, 6	The Government has provided numerous funding packages for local government over the course of the year, and will continue to do so in the first quarter of 2021/22. These have ensured that the council, unlike several other authorities publicised in the national press, has not had to issue a Section 114 notice, nor has it had to seek further financial assistance and intervention from central government. As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can be carried forward into 2021/22 to support ongoing response and recovery work with a final outturn to be provided to Government in June 2022. Indeed the specific funding will be critical during 2021/22 as we deliver Covid-related activity alongside more Council services returning to business as usual. To support our continued emergency response into and throughout the current year, 2021/22, resource will continue	**Year-end Update 31 March 2022** On the basis of the latest budget monitoring exercise, undertaken at the end of Quarter 3, the Council is forecasted to overspend its Revenue Budget by c£3.9m (which is an improved position when compared to the forecast outturn at the end of Quarter 2). The overspend is largely a consequence of the continuing impact of Covid-19 which has resulted in lower than budgeted income a number of areas such as car parking, leisure and licensing. Efforts to contain the overspend continue to be pursued along with monitoring of the budget position up to the year-end. In relation to the Capital Programme for 2021/22, there are no exceptional variances.

		to be made available for front line activity including site marshals, testing team, public protection, education/social care/crises response and our core public health Covid incident management teams. We will also retain a focused Covid programme management team to co-ordinate activity such as governance, reporting, communications, testing, contact tracing, vaccination support. We will also ensure all of our council premises and spaces remain safe and Covid - secure. This more dedicated response resource will enable other services to focus on returning to business as usual as far as is possible in the circumstances. As with other public sector organisations, we are also dealing with a backlog and rise in demand across many of our services including social work support for vulnerable adults and children, legal, registrars, public protection, youth provision, employment and business support. To acknowledge the adjustments to services in continuing to respond to the pandemic, and operate within Covid-safe guidelines, we have allocated additional resource in this first phase to manage increased demand and provide capacity to deal with backlogs due to Covid-19. The financial position is made more uncertain due to the provision of a one year funding settlement from Government for 2021/22, the challenges arising from the continuing impact of Covid in the Borough and the financial response these will require, and the longer term impacts on income streams, service needs, ability to make savings and ability to collect local taxes, alongside business as usual activity. The financial impact of Covid on the Borough will need to be measured over the long term not just the next financial year.	In the meantime, at the end of February 2022, the Council set both its General Fund Revenue Budget and Capital Programme for the 2022/23 financial year. This was underpinned by a better than expected funding settlement from Government although, as this was for one-year only, there remains some uncertainty about the future funding of the Council. Indeed, the Council's latest Medium Term Financial Plan to 2024/25 shows a forecast funding shortfall of c£6m. In agreeing the budget for 2022/23, the Council also endorsed a Financial Strategy based on four key themes – Grow (the Council's tax bases), Charge (for services where possible), Save (costs through transformation) and Stop (providing services where others are capable of providing them in place of the Council). Allied to this is the use of reserves in a strategic way to help the Council transition to a lower cost base and to have an active lobbying campaign to ensure the Council receives a fair funding settlement (based on the Borough's needs) from the Government. The implementation of this Strategy, in conjunction with the wider work of the Council, is intended to provide the basis for a sustainable budget that supports the delivery of the Council's corporate objectives.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the members of the Council's CAB who each sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place within their areas of responsibility, the Head of Audit & Assurance's annual opinion report, and by comments made by the external auditors and other inspection agencies.

The Council regularly reviews its Constitution and has delegated to the Audit & Governance Committee responsibility for reviewing the effectiveness of the governance framework and for reporting to the Executive Board where it thinks that there are issues that must be considered by the Executive.

The Scrutiny Committees set their own annual work plans and report to the Council both quarterly and annually. These Committees continue to monitor the performance and delivery of the Executive, engaging and challenging through a variety of scrutiny review methodologies, traditional reviews, appreciative and collaborative inquiries. Where appropriate, Members will utilise Task and Finish Groups outside of Committee to scrutinise and work with Officers on a wide range of issues. Overview and Scrutiny arrangements have been reviewed and revised and their effectiveness will be monitored.

The Audit & Governance Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report. The 2021/22 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. A new Member's Code of Conduct was approved by Council on 30 August 2012 in accordance with the Localism Act 2011. This included new arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary make appropriate recommendations.

The Standards Committee reviews the Member Code of Conduct and Complaints procedures on an annual basis and the latest versions are included as part of the Constitutional updates to Council.

Any matters following investigation, which require a hearing for determination of a potential breach of the code of conduct would be considered by the Hearings Panel (Sub Committee of the Standards Committee) who would make appropriate recommendations.

External inspection and assurance by External Audit during the year:

In the draft Audit Findings Report presented by the Council's external auditor for the year ended 31 March 2021, considered by the Audit & Governance Committee in January 2022 it was noted that:

- At that stage, the External Auditor anticipated issuing an unmodified audit opinion on the 2020 /21 financial statements.
- The work value for money work completed to that date had not identified any significant weakness in the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources.
- The audit work had not identified any evidence of management over-ride of controls.
- The Council's Annual Governance Statement and Narrative Report, and other information published with the audited financial statements was consistent with the External Auditors knowledge obtained during the audit.
- The Annual Governance Statement is compliant with the disclosure requirements of the CIPFA/SOLACE guidance.
- One the basis of the work carried out they had obtained sufficient appropriate evidence to conclude that there was no material uncertainty identified relating to going concern and management's use of the goi9ng concern basis of accounting in the preparation of the financial statements was appropriate.

The external auditors also noted that their work had not identified any significant and pervasive weaknesses in arrangements. Therefore, they have not made any statutory recommendations or exercised any of their additional statutory powers or duties under the Local Audit & Accountabilities Act 2014 in the course of their work for the 2020/21 audit year.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and SGOG, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA, which has identified what may be considered generally as a significant issue. These criteria are:

1. The issue has/may seriously prejudice or prevent achievement of a principal objective;
2. The issue has/may result in a need to seek additional funding to allow it to be resolved;
3. The issue has/may result in significant diversion of resources from another aspect of the business;
4. The issue has/may lead to a material impact on the accounts;
5. The issue, or its impact, has/may attract significant interest or seriously damaged the reputation of the Council;
6. The issue has/may result in formal action being taken by the Section 151 Officer and/ or the Monitoring Officer;
7. The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
8. The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

Significant governance issues identified during 2021/22 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
Children's Services Financial Position (brought forward from 2017/18)	1,2,3,4	We are currently working through the year end closure of accounts and as such the final outturn is not yet known, however the portfolio is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2. The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets. There is an issue with placement sufficiency and cost pressures on external placements. These placements are closely monitored. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health issues who have sexually harmful and other risk taking behaviours and the impact of the added requirement for post-16 regulation	Strategic Director Children's Services & Education

		of suitable accommodation. The implications of the Integrated Care System the pan Lancashire and South Cumbria approach to joint funding of children with complex needs and the implementation of the Individual Patient Allowance needs to be assessed. Consideration is being given to sub regional commissioning, along with a review of the internal provision. The independent review into children's social care will a view on this. The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.	
Adult Social Care Commissioning (brought forward from 2020/21)	1,2,3	The Department is beginning to see escalating costs in the commissioning budget as a result of increased numbers of domiciliary care packages and increased acuity of need. However the commissioning budget is forecasting an underspend due to one off income in year. Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs). These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23, which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However, the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan. The Government have announced a Market Sustainability and Fair Price for Care Grant for 2022/23, which requires local authorities to undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further	Strategic Director for Adults and Health

		budget pressures in commissioning which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services. The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a significant impact on the department at the same time as our preparations for full CQC inspection. The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.	
Long term financial sustainability of the Council (Brought forward from 2020/21)	1,2,3,4,5,6	Underpinning the development of the 2022/23 budget (and the Financial Strategy and 2022/25 Medium Term Financial Plan) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions the Council has experienced since 2010 nor reflective of the significant changes in demand for services. Consequently, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable. The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity. In addition there are ongoing income losses from the COVID pandemic as footfall and demand have not risen back to pre-pandemic levels. Further uncertainty has been created by rising inflation and the cost of living crisis and the projected increases in the national living wage will	Chief Executive and Directors

		put further pressure in the Council's salary budgets. The February Finance Council meeting approved a Finance Strategy the aim of which is to provide a 'route map' for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council's Strategic Plan is achieved. There are four key themes to the Strategy; Grow (the Council's tax bases), Charge (for services where possible), Save (costs through transformation) and Stop (providing services where others are capable of providing them in place of the Council).	
Children's Services Ofsted Inspection Findings	1,2,3,5	The Ofsted ILACS inspection in February/March 2022 acknowledged that there were areas of good practice in place but found that improvement was required to be good across the four categories inspected. The inspectors identified that that further work was needed to embed the full Quality Assurance Framework to drive forward practice. The outcome of the inspection, and key priorities, were reported to Executive Board in April. The report noted that additional investment would be required to cover improvement activity. A costed improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which is being be chaired independently to oversee the delivery of the response and actions identified. The Board has now met and had sight of the plan, which will now be approved by Executive Board prior to submission to Ofsted. It will continue to build on the Council's commitment to supporting the most vulnerable. The plan will address the key concerns around multi-agency strategy discussions, data and assurance, and our services and support for care leavers up to the age of 25.	Strategic Director Children's Services & Education

		The Action Plan will be subject to further refinement as the financial year progresses. This acknowledges that the Council's response needs to be both immediate to deal with some of the issues raised in the Inspection and developed to ensure that the improvements in the service are sustained to deliver the best outcomes for Children in a way that remains affordable for the Council.	
Teachers' Pension Agency Year End Certification and audit	3,5	There are a number of issues in iTrent when running the Monthly Contributions Reconciliation (MCR) return for teachers' pension contributions which the Council is required to provide the Teachers' Pension Agency (TPA). This is causing additional manual activity for Payroll staff of around 10 days per month that should not be required, is not sustainable and creates the risk of human error. The software provider has been working on identify the cause of the errors and resolving these. This work is currently on-going. The software provider has been put on notice that the Council reserves the right to recovering the additional costs arising from the extra work required as a result of these issues occurring. If the issues are not able to be resolved there is significant reputational risk to the Council. Any under payment of teachers' pensions contributions identified will also attract compound interest. At this stage it is not clear when the issues will be resolved. A year end certificate was manually produced by 31 May, as required. This is now required to be audited. The auditor must provide the audited return direct to the TPA by 30th November 2022.	Assistant Director, Chief Executives Department
Performance Management System	1,2,3,5	Corporate performance monitoring arrangements were stepped back during the last two years to allow for the Council to provide an effective response to the pandemic. In light of the new Corporate Plan being developed and implemented, alongside the Organisational Development Framework and new Council Values and Behaviours, the Performance Management Framework and reporting	Corporate Leadership Team

		arrangements needs to be reviewed, refreshed and strengthened, linked into business plans, to ensure that the right information is being monitored and reported accurately, in a timely manner. This will ensure that there is a better corporate understanding of service performance. This will enable a better corporate focus on service performance along with co-ordination of cross-cutting matters, better engagement with staff and their development and the development of a culture of improvement.	
Property, Plant and Equipment (PPE) Valuations	1, 4, 5	During the audit of the Statement of Accounts for 2020/21, the External Auditor experienced significant difficulties obtaining adequate assurance of the valuation of the Council's PPE. As a consequence, for 2021/22, they employed their own Valuer to provide support to them and to critically examine the Council's valuations for the Statement of Accounts for 2021/22. Again, this highlighted significant issues with the quality of valuations. As a consequence, the Council has outsourced the valuation of assets for accounting purposes for 2021/22 onwards.	Strategic Director Growth and Development Strategic Director Finance and Resources

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ……………………………… ……………………………………
Leader **Chief Executive**

Date: ……………………………… ……………………………………

Blackburn with Darwen Borough Council

Annual Governance Statement
For the year ended 31 March 2023 and up to the date of the March 2024 Audit & Governance Committee

ANNUAL GOVERNANCE STATEMENT

Foreword by the Chief Executive – Chair of the Statutory Governance Officers Group

Blackburn with Darwen Borough Council recognises that there always will be risks that it must manage effectively. Whilst it recognises that due diligence will not always ensure that it gets things right first time, it continues to put in place assurance frameworks and enhance existing arrangements that are intended to ensure that its system of governance is fit for purpose and has flexibility to meet the challenges that the change agenda brings. During the year, the Council has had to put in place processes to allow it to respond to the cost of living crisis and the impact that this has had on both the Council's budget, with rising costs and reduced income, and on service users and the demand for Council services.

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance 2022/23 included the following:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of Strategic and Assistant Director annual assurance statements, which reflect the seven principles of good governance in support of the Annual Governance Statement.
- Regular deep dive review and challenge of corporate risks by the Audit & Governance Committee.
- Corporate Assurance Board (CAB) and Statutory Governance Officers Group (SGOG) meetings continue on a regular basis.
- The Council's 2022/23 NHS Data Security and Protection Toolkit (DSPT) compliance audit has been submitted and accepted by the self-assessment tool as 'standards met' and certification has been awarded. This enables the Council to continue to exchange data with the NHS.
- The Council has demonstrated that its IT infrastructure is sufficiently secure to connect to the Public Services Network during the period.
- Continuing embedding of information security awareness through the annual refresh of the e-learning toolkit, and monitoring staff completion of mandatory training.
- On-going participation in the National Fraud Initiative.
- Publication of a Risk Management Policy Statement and implementation of a refreshed Risk Management Strategy and Framework and supporting toolkit.
- Risk management refresher awareness sessions for Members, Directors and senior managers.
- On-going use of the risk register template to record and monitor strategic and departmental risks, including a quarterly review of strategic risks by CAB.
- Revision of the Medium Term Financial Plan and Capital Programme.
- Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness against best practice guidance.
- The on-going formalised, structured member training and development programme including mandatory and optional courses.
- The Audit & Governance Committee routinely inviting senior officers to attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance in respect of key systems.
- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- The Children's Advice and Duty Service has continued to free up resources leading to a reduction in the volume of work in the service, resulting in a reduction in social workers caseloads and led to substantial savings across the service. It has also embedded strong partnership working.

SCOPE OF RESPONSIBILITY

As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement.

Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that:

- its business is conducted in accordance with relevant laws and regulations, and proper standards; and
- that public money is safeguarded and properly accounted for and

It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk, and to ensure that the responsibilities set out above are being met.

The Audit & Governance Committee fulfils the core functions of an audit committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) *Audit Committees - Practical Guidance for Local Authorities and Police 2018.* It monitors and responds to the work of internal and external audit and has overall responsibility for reviewing the framework of corporate governance.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the seven principles of the Framework. A copy of the Code is on our website at www.blackburn.gov.uk; it is contained within the Constitution. This statement explains how the Council has complied with the seven principles set out in the Framework during 2022/23 and the Code and how it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant bodies to conduct a review of the effectiveness of its system of internal control at least once a year and prepare an Annual Governance Statement, reporting on the review.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and it can therefore only provide reasonable, and not absolute, assurance of effectiveness. It is based on a continuous process that is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of both those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has had robust systems of internal control, corporate governance and risk management arrangements in place for many years, which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

Some of the key features of the governance framework are set out in the following paragraphs.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

1. **Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.**

   The Council Constitution contains codes of conduct for Members and officers. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the Code of Conduct as part of their induction. All Members need to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website. New staff appointees sign the staff Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of personal interests, in accordance with the recently revised Standing Financial Instruction 12 – Register of Personal Interests. The latter are reviewed at least annually. The Employee Code of Conduct was updated in October 2013 and is reflected in the Constitution. The Constitution also contains the Member/Officer Protocol, which sets out the roles and expectations for working together.

2. **Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.**

   The Council is legally and constitutionally obliged to maintain and keep up to date its constitution. The Council Constitution was updated in July 2022 to reflect the resolutions/decisions made at Full Council since October 2021. This included changes in organisational structure previously noted and agreed, statutory changes and changes to the delegations.

   The annual update also reviewed Executive Member portfolio responsibilities and the Council's strategic objectives. Amendments are made as necessary during the course of the year to reflect changes in the law and others changes which would require full Council approval. The Constitution is due to be further reviewed and updated this year to reflect the further changes to the organisational structure and the revised Member Allowances Scheme approved at Finance Council in January 2023, and a review of the officer delegated powers as well as changes to the Executive Member portfolio responsibilities. The reviewed Financial Procedure Rules and

Contracts & Procurement Procedure Rules, was approved by full Council and incorporated in the Constitution.

The Council has adopted the Leader and Executive model of governance. The Council's Constitution sets out the relative roles and responsibilities of the Leader and Executive, Officers and Committees of the Council. It defines, through the procedure rules, how day-to-day activities must be undertaken and it allocates statutory responsibilities to designated posts/positions. The decision-making processes are also defined by the Constitution and Executive Member decisions. "Key decisions" may only be taken after both the Finance, and Legal departments have been consulted and considered any implications. The Constitution also sets out the overview and scrutiny arrangements, including the review ('call-in') of executive decisions.

At the start of the pandemic, decision-making meetings were paused until national legislation was enacted and local technology was put in place to permit on-line meetings. Since then all council meetings, including scrutiny and other business had been conducted through remote means to ensure that the Council has continued to be governed in accordance with its constitution and decisions have been properly made. Since 6th May 2021 the legislation allowing remote council meetings expired and the Council reverted to face-to-face meetings. Full council meetings have continued to be webcasted to enable the public to listen and view from home.

During the pandemic no existing delegations or powers were altered, nor have any additional powers/delegations been provided to the Chief Executive or any other officers. There is a delegated power in the constitution for the Chief Executive to incur expenditure or take action in an emergency or disaster, which was used as required at the start of the pandemic. This power was used after consultation and approval from the Leader, formally recorded as an officer decision, and published as usual.

The respective roles of the Section 151 Officer, Monitoring Officer, the statutory Scrutiny Officer and Senior Information Risk Officer (SIRO) ensure legality, financial prudence and transparency in transactions in accordance with legislative requirements.

The CAB has continued to meet during the year. This sits alongside the Corporate Leadership Team (CLT). CAB provides effective assurance and challenge in respect of the Council's overall performance in meeting its strategic objectives and statutory duties. This has increased the Team's focus in the right areas and improved its effectiveness as a senior management team. The Extended Leadership Team continues to meet on a regular basis alternating workshop sessions and bite sized update meetings. This has provided flexibility to discuss items such as borough events, elections, constitutional matters, urgent operational issues and planning for member meetings. Team activities have also been undertaken to develop CLT working together effectively as a group.

The Council continues to be proactive in developing partnerships with its public sector partners including the NHS and Lancashire Constabulary. These partnerships and their governance arrangements are captured through the annual and mid-year Significant Partnerships Register reviews. The reviews are undertaken by the Chief Executive's Support Team and a final report is submitted to Audit & Governance Committee along with a copy of the Register.

The Council has a procedure for recording and publishing decisions made by officers, in line with the Government's transparency agenda and the Access to Information Procedure Rules in the Constitution. Such decisions are subject to the scrutiny arrangements outlined in the Constitution.

Principle B – Ensuring openness and comprehensive stakeholder engagement

3. **Review the Corporate Plan and Vision and translate into objectives for the authority and its partnerships.**

   The Council adopted a new corporate plan at Policy Council in December 2022. It was developed following a programme of engagement with residents, staff, councillors and partners. It sets out a clear mission - we want every single resident, no matter who they are, to have a good quality of life.

   To achieve this vision, we will make progress on four core missions.

- A more prosperous borough where no one is left behind;
- Every child and young person to have opportunities to fulfil their potential;
- Deliver our climate emergency action plan; and
- Build happier, healthier and safer communities.

Engagement activity included sessions with young people, engagement with foster carers, 200 vox pops in Blackburn and Darwen town centres, as well as activity facilitated by adult learning and Age UK. Staff have been engaged through the organisational development programme. The recent Life Survey undertaken by Lancaster University in Blackburn with Darwen (1,299 residents in total, made up of 543 online respondents and 756 face-to-face) has also been used to help form the evidence base for the new plan as well as engagement delivered as part of individual projects such as Blackburn's City Bid.

The residents' survey ran over a period of four weeks from May to June 2022. Two methodologies were used; the first was a self-completion survey promoted via social media, in council buildings, local media and our advertising assets. The second was a demographically weighted interviewer-led survey. The self-completion survey was open to everyone who lives or works in the borough over the age of 16 and 889 responses were received. The interviewer-led survey had quotas, which were designed to achieve a sample that was representative of the borough in terms of age, gender, ethnicity and area. It was undertaken primarily by phone with additional face-to-face interviews carried out to ensure the sample met its quotas. 1001 interviews were completed.

The first of a series of partnership conferences was held in March 2023. The intention is to continue to build on the format and continue to provide a dedicated space for partners to engage directly with the Council and developed shared plans together.

We are also working with Sport England, as the accountable body for Pennine Lancashire's Local Delivery Pilot 'Together an Active Future'. The £13m of available funding will enable the six Local Authority areas to work together with people and partners to test different approaches to understand better why people are less active in Blackburn with Darwen than nationally and to work with partners in systems and places to make being active easier for everyone.

When developing the Corporate Plan, the Council established what will be done to deliver the ambition and how progress against this delivery will be measured. The success of the Corporate Plan is measured through a performance management framework with Key Performance Indicators (KPIs) which are measurable and meaningful. These will come into force from April 2023.

The Corporate Data and Policy teams work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans. At Policy Council in December 2021, members agreed to refresh the corporate plan to take into account the impact of COVID on both the organisation and the borough. While that refresh was taking place, the current corporate plan still stood.

4. Measure the quality of services for users.

During 2022, the Council undertook a resident survey to gain a better understanding of the opinions and views of residents and their priorities. Survey methodology was via a random sample postal survey and an online survey published on the Council website.

Customer/resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council. Key measures are included in the current Corporate Plan and customer service is an embedded principal in all council work and specific arrangements exist within statutory services around adults and children social care.

5. Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

As well as a constantly updated online version of The Shuttle, a hard copy magazine called the Shuttle Extra is now published annually and delivered to homes throughout the borough. Both the hard copy and online versions contain latest news, decisions and service updates and information about the Council budget and Council Tax. Manual updates, as part of wider communications campaigns are published on the Council's online Shuttle platform, available as news items via the website and are available via social media channels. The Council's website can be translated into different languages using a Google Translate function available on each page. Media enquiries are dealt with promptly following agreed protocols. Commercial services across the council also operate their own marketing. Stakeholder communication is part of normal service delivery both at a corporate level and within services and projects.

The Council also owns and manages its own outdoor advertising assets, including 66 bus shelters across the borough, two digital screens, 58 roundabout signs, 21 billboards and digital totems in both Blackburn Bus Station and Blackburn Train Station.

The Council is continuing to deliver on its commitment to tackle inequality, oppression and enabling people to maximise their potential through its Integration and Community Engagement. As a result of this work, new and emerging communities such as those resettling from Ukraine are settling into life in the borough and are positively contributing and accessing everything the Borough has to offer. From local adult learning provision, supporting individual faith and spiritual needs through to determining employability options, this local asset based approach is unique to the Borough and draws upon skills gained from previous work being part of the Integrated Area Programme.

The Council continues to work together with residents, businesses and the voluntary sector to overcome local challenges. Through its Lancashire Volunteer Partnership, residents continue to be involved a structured approach to volunteering by gaining, developing and using vital skills and knowledge to make a difference in their borough.

The Council website provides access to Council papers, including Committee agendas, minutes, relevant reports and decisions.

The Council takes the views of all the groups into account when preparing its budgets. In advance of final decisions on the budgets, the potential impact on individuals, services and the voluntary and community sector is considered. As each service is reviewed and final recommendations are made, Equality Impact Assessments are undertaken.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

6. **Enhance the accountability for service delivery and effectiveness of other public service providers.**

   The Blackburn Place Based partnership is part of the new Lancashire and South Cumbria Integrated Care Partnership (ICP) structure and sees us working with the NHS, voluntary, community, faith and social enterprise (VCFSE) organisations and the wider community to take collective responsibility for providing better joined up care and support for residents and delivering the ambitions of the ICP. The PBP will develop a plan that will deliver changes and improvements in services to meet the distinctive needs and characteristics of our borough. ICPs were brought in as part of changes in the way health and care services are planned, paid for and delivered across England. The changes saw the creation of Integrated Care Systems across the country. They are made up of two parts – an Integrated Care Board and an ICP. The role of the ICB is to allocate the NHS budget and commission services for the population, taking over the functions previously held by clinical commissioning groups (CCGs) and some of the direct commissioning functions of NHS England. The ICP is a statutory joint committee of the ICB and local authorities in the area. It brings together a broad set of partners to support partnership working and develop an 'integrated care strategy', a plan to address the wider health care, public health and social care needs of the population. The ICB is required to have regard to this plan when making decisions. We are proud to play our part in all levels of the ICS.

   The Council is working closely with other Lancashire councils to make the case for more devolution of resources, powers and flexibilities to the region. A strategic framework for Lancashire is being developed called Lancashire 2050, which will help support future devolution bids. The plan helps create a shared vision, shared ambition, shared goals, shared priorities, and gives Lancashire a strong, clear voice.

   The Blackburn with Darwen Community Safety Partnership (CSP) has merged with the CSP's of Burnley, Hyndburn and Rossendale following agreement by members and the Police and Crime Commissioner of Lancashire. Blackburn with Darwen administers the Pennine Lancashire Community Safety Board and retains its duty as a Local Authority alongside the Police, Fire Service, Health and National Probation Service who work together to reduce crime and anti-social behaviour.

   The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving positive outcomes for vulnerable individuals, families and communities.

7. **Incorporate good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

   The Council has historically had sound governance arrangements and these continue to be robust. The annual and mid-year Significant Partnerships Register update continues to take place and a report was taken to Audit and Governance Committee in March 2023. A mid-year review is planned for June 2023.

The Council is the host authority for the Lancashire Police and Crime Panel. The Council provides legal and secretarial advice and support to enable the Panel to carry out the functions and responsibilities set out in the Police Reform and Social Responsibility Act 2011 and the Regulations made under it.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

8. **Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**

The Constitution provides the framework for decision-making. It includes delegations to various committees, Executive Members and officers, and scrutiny arrangements for holding decision makers to account. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer and is responsible for ensuring lawfulness and fairness of decision-making.

External formal monitoring of the Council's data quality arrangements are no longer required by external audit. However, the Council's previous monitoring arrangements have continued to be operated, including formal checks on performance indicator files and monitoring / recording processes. The Data Quality Policy (Performance Data) was revised in April 2019 to reflect the changes in reporting arrangements and staff within the Council. The Council has developed a Data Strategy in late 2022, which included a baselining exercise to assess the level of data maturity across the organisation. The Data Quality Policy will therefore be re-assessed during 2023/24 and revised in line with the planned introduction of corporate data standards. These will be introduced as the Council moves towards more automated collection of data.

The Council has continued to carry out and record equality analysis and impact assessments (EIA) as a key stage in the decision making process using the EIA Toolkit. However, this has now been strengthened with the refresh of elected member training for Equality, Diversity and Inclusion and EIAs in February 2023. The training offer for staff has also been reviewed and refreshed with the introduction of new training modules on the Me Learning platform. A corporate exercise has taken place to identify additional departmental leads to undertake and support the EIA process. An in-person training session has been organised for this group and this will be supplemented with a network for the relevant staff to support each other across the organisation.

The annual Audit and Assurance Plan and supporting Strategic Statement set out the internal audit resources and skills required to deliver an effective internal audit service for the Council each year. The staff resources are considered adequate for the Council's current needs to ensure that it meets the requirements of the Accounts and Audit Regulations. The resources are prioritised to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes for the higher priority areas identified in the annual Internal Audit Plan, which is approved by the Audit & Governance Committee at its meeting in March/April each year. Reviews of these areas are required to inform the Head of Audit & Assurance annual internal audit opinion which contributes to the Annual Governance Statement.

<u>Principle E – Developing the entity's capacity, including the capability of its leadership and individuals within it</u>

9. **Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**

   The Council has developed a workforce strategy for 2023 to 2026 with the following ambitions:

   - A more diverse and inclusive workforce, where no-one is left behind;
   - An engaging culture where everyone has a voice;
   - Strong and visible leadership where autonomy and innovation are advocated; and
   - Supporting continuous development where everyone is encouraged to reach their potential.

   A leadership & management steering group has been established to ensure the leadership and priorities are met and support the Council's ambitions in relation to its workforce. Elected members development continues to be supported in conjunction with North West Employers organisation.

   There has been significant investment in leadership and management development over the last three years with more than 120 managers completing a formal programme of development.

   The Council currently employs three graduates, under the LGA's National Graduate programme.

<u>Principle F – Managing risks and performance through robust internal control and strong public financial management</u>

10. **Review the effectiveness of the framework for identifying and managing risks and demonstrate clear accountability.**

    Overarching responsibility for risk management lies with the CAB. Chief Officers are identified as owners of the risks identified in the Corporate Risk Register. The corporate risk register is considered by CAB on a quarterly basis. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit & Governance Committee meeting. The Committee also carries out a detailed review and challenge of a selection of corporate risks on a regular basis during the year.

    A corporate Risk Management Policy Statement is in place and published. It is a key element of the Council's corporate planning process and the Corporate Governance Framework. The Policy Statement sets out the Council's intent with the management of risks. It includes a definition of the Council 'appetite' for risk across a range of key risk categories. These are based on a selection of relevant key risk categories recommended in The Orange Book – Management of Risk, Principles and Concepts (2020) published by HM Government.

    The Policy and supporting Risk Management Strategy and Framework provide a consistent corporate approach to ensure that robust and effective risk management procedures are embedded into the Council's culture so that risk management is an integral part of the decision making process and the supporting systems and procedures used by Members, Chief Officers and staff at all levels. These documents combine to set out the Council's approach for the systematic management of risk, the culture and roles and responsibilities of all managers and decision makers to achieve this.

The Risk Management Toolkit and risk register provide a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting.

During the year, the Council has had to respond to and manage a significant number of new and emerging risks due to the need to respond to the impact that Covid has continued to have on the Council's services and activities and the local community. The primary focus has been on the new risks relating to the Council's recovery from the pandemic, whilst maintaining as much business as usual activity as possible, safely and effectively.

The Executive Member and Executive Board Decision templates include a section to record and consider key risks as part of the decision making process. The Management Accountability Framework (MAF) Director's Exception/Dashboard Report also contains a risk section.

Directors are required to confirm that there are sound corporate governance, control and risk management arrangements operating within their Departments, in accordance with the Council's procedures and practices that uphold the Code of Corporate Governance, on a six monthly basis. They should identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This report is reviewed, along with progress against the Corporate Plan priorities, and reported to the Chief Executive and the Audit & Governance Committee through the MAF thematic summary included in the Audit & Assurance Progress Reports.

The six monthly assurance statement covers the effectiveness of the internal controls, risk management and governance arrangements within Departments and relevant corporate risks. This includes safeguarding assets, monitoring compliance with Council policies and objectives, budget management, risk management, and health and safety. MAF is an evolving process and refinements and extensions to its coverage will continue.

The Statutory Governance Officers Group (SGOG) draws together the sources of assurance, including those provided through MAF, and, having challenged them, produces the Annual Governance Statement for consideration by the Audit & Governance Committee. The SGOG is chaired by the Chief Executive and has the Monitoring Officer, Senior Information Risk Owner and Section 151 Officer as members.

The Council produces integrated financial monitoring reports covering revenue and capital expenditure, which are reported to Executive Board on a quarterly basis each year. Ongoing financial implications are incorporated into the following year's budget strategy. In addition, the budget setting process starts in September each year and includes leadership meetings with Directors to ascertain any pressures and or savings within their portfolios, Inflation and legislative changes are reviewed by the Corporate Finance team. These processes are underpinned by the Council's Financial Management System, which has facilitated the production of more timely and detailed information to Members and Officers at all levels. The system continues to be developed and produce cost and working efficiencies within both the Finance Department and the Council as a whole.

The Departmental Business Continuity Plans and the Functional Emergency Plans are constantly being reviewed and we are still working on streamlining them. Business Continuity Plans have been reviewed in early 2023 and the team are currently undertaking an audit of each plan. The structure of the organisation has continued to change, resulting in plans being further amended. The Corporate Business Continuity Plan contains all critical/priority functions and essential prioritised services at the White Dove Centre in times of IT outage etc. and this will be updated again in late 2023.

The Corporate Emergency and Business Continuity plans are tested annually in alternate years. The corporate exercise for March 2023 was based on a cyber-attack scenario (Business Continuity Planning). This exercise not only provides training to attendees but it is also an opportunity for plans to be tested and any amendments made where required.

The Civil Contingencies Service delivers an annual corporate training programme internally to employees and volunteers to ensure that they are all trained in the roles they are either expected to perform or volunteer to perform for the Council. The team has continued to respond to a number of concurrent emergencies in the community over the last 12 months.

The team will continue to deliver a programme of training/exercising, emergency preparedness and response to an emergency or disruption. This is now a mandatory service provision to all schools in the borough, including Independent, Free, Academy and Community schools to ensure consistency. To further support, the team developed an SLA, which was launched in 2022, which a number of schools purchased to access the support required for emergency preparedness. This SLA has also been rolled out for 2023.

The Corporate Health and Safety Policy clearly states that health and safety is the responsibility of all employees and managers within the Council, with clear leadership from Chief Officers. The Chief Executive retains overall responsibility for the management of health and safety in the Council. The Policy, which was updated and reissued in May 2022, along with the various guidance documents, outline the arrangements in place to meet the Council's statutory duties. The health and safety guidance documents have also undergone full a review, ahead of migration to the new intranet site.

The Health and Safety Committee meet quarterly for senior managers to discuss key issues and actions taken to address these. Accident, incident and near miss statistics and trends are reported at this forum and improvements to health and safety are discussed and agreed. Incident data is also provided to Chief Officers on a monthly basis. Health and Safety Task Groups and Task and Finish Groups are also commissioned from time to time as appropriate, for example, the Health & Safety Action group for services at Davyfield Road Depot continues to meet and more recently, we have established an internal Violence & Aggression focus group.

Employees receive health and safety training upon induction and in line with role requirements thereafter. A range of classroom courses and e-learning training are available to all members of staff. Chief Officers agreed to some mandatory health and safety e-learning for all employees, to be refreshed on a three yearly basis. Currently these are Health and Safety in the Workplace, Manual Handling and Fire Safety Awareness and Display Screen Equipment (DSE) for designated users.

Corporate Compliance checks have been developed in recent months and will be rolled out shortly. These will be completed by Service Managers and those with responsibility for a building in order to check compliance again health and safety legislation. Following submission and review of these, a rolling health and safety audit programme will be developed for the Council, with higher risk departments and services prioritised.

Service Level Agreements are offered to schools across the Borough for a health and safety service, and we have maintained business throughout 2022-23 and into the New Year, with over 50 schools purchasing this service from the team.

The Council has an online portal for staff to report all accidents, incidents and near misses. All reports are investigated and steps are taken to reduce the chances of a recurrence. Five (5) incidents were reported to the HSE via RIDDOR in the 2022-23 period, which is the same number of incidents reported during 2021/22.

11. Ensure the financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2016).

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In May 2023 the Annual Council approved the Chief Executive assuming the statutory Section 151 Chief Finance Officer responsibilities when the previous Strategic Director, Finance & Resources left the Council on 21 May 2023, on an interim basis pending the appointment of a new post holder incorporating the statutory function.

12. Ensure the assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010).

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

i. objectively assessing the adequacy and effectiveness of governance and management of risk, giving an evidence based opinion on the of all aspects of governance, risk management and internal control; and
ii. championing best practice in governance and objectively commenting on responses to emerging risks and proposed developments.

To perform this role the Head of Internal Audit must:

i. be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit & Governance Committee;
ii. lead and direct an internal audit service that is resourced to be fit for purpose; and
iii. be professionally qualified and suitably experienced.

13. Financial Management (FM) Code of Practice.

CIPFA launched the FM Code of Practice in November 2019. It was developed on behalf of MHCLG in the context of increasing concerns about the financial resilience and sustainability of local authorities. Full compliance was expected for the 2021/22 financial year.

The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

The Code is set by CIPFA on behalf of MHCLG. Compliance with the Code is obligatory but is not currently referenced in legislation meaning that it is not statutory guidance. However, it draws heavily on existing statutory guidance:

- Role of the Chief Financial Officer in Local Government;
- Prudential Code for Capital Finance; and
- Code of Practice on Local Authority Accounting in the United Kingdom

The FM Code has six key themes aimed at strengthening the financial resilience and sustainability of local authorities:

(i) Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
(ii) **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
(iii) Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
(iv) Adherence to professional **standards** is promoted by the leadership team and is evidenced.
(v) Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
(vi) The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Performance against the six key themes is measured by 19 standards, which are arranged over seven sections:

(i) The responsibilities of the chief finance officer and leadership team
(ii) Governance and financial management style
(iii) Long to medium-term financial management
(iv) The annual budget
(v) Stakeholder engagement and business plans
(vi) Monitoring financial performance
(vii) External financial reporting

An assessment has been made of the Council’s compliance with the 19 Standards in the Code. The assessment has identified that the Council is well placed to evidence compliance with the Code. This was supported by a review of the evidence by Internal Audit.

14. Ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.

The Audit & Assurance Team takes part in the National Fraud Initiative on behalf of the Council and monitors the completion of the fraud awareness e-learning package by staff. It also monitors whistle-blowing calls and emails received by the Council and carries out investigations into reports of potential or suspected fraud and non-compliance with financial policies and procedures or financial irregularities.

The Council’s current Counter Fraud Policy Statement and Counter Fraud Strategy 2022/25 were approved in June 2022. These take account of the latest guidance set out in the Fighting Fraud and Corruption Locally Strategy (2020) and provide an effective structure and approach to ensure that the counter fraud arrangements in place are embedded into the everyday processes of financial management activity and decision making within the Council. They demonstrate to the local community and other stakeholders the Council’s commitment to the prevention, deterrence and detection of fraud and corruption. The documents set out the Council's approach to the management of fraud risks and defines responsibilities for action.

The Policy Statement and Strategy provide a clear statement of the Council's commitment and approach to this area from the Leadership team down. They provide a framework that should ensure a consistent approach is in place to embed robust and effective counter fraud arrangements into the Council's culture so that it is an integral part of the systems and procedures followed by Members, Chief Officers and staff at all levels.

Having considered all the principles, the organisation has adopted a satisfactory response that is appropriate for the fraud and corruption risks identified and commits to maintain its vigilance to tackle fraud.

15. Ensure effective management of change and transformation.

The Council is now approaching the end of year 2 of the 3 year Digital Strategy, which covers four work, streams:

- Digital first for our services;
- Enable transformation for our staff;
- Data driven organisation; and
- Secure and resilient technology.

The Strategy sets out what we will do to make Blackburn with Darwen a truly digital council and borough over the next three years and beyond. The aim is to enable positive impacts to the way people live, connect and work. It is our challenge to effectively engage with, understand, collaborate and better serve our customers and communities in digital environments over the next three years and beyond. The scope of the Digital Strategy is a significant portfolio of work, which carries a number of risks to the Council if not managed correctly. During the majority of the year, the Council operated a suite of governance boards, which helped manage the four work streams; these were chaired by the Strategic Director of Resources and covered; key projects, Data and Technical Assurance.

Since December 2022, the Council has moved away from the separate governance boards and has developed a single work stream of activity, which will be prioritised and governed via a Programme Board. Due to capacity pressures and the need to prioritise resource around the highest risk areas, this approach will ensure that resource is channelled to the highest priority areas.

16. Ensure effective arrangements are in place for the discharge of the monitoring officer function.

As the Head of Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and governance arrangements and to apply these in practice.

17. Ensure effective arrangements are in place for the discharge of the head of paid service function.

The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer forms part of the specific responsibilities of the Deputy Director, Legal & Governance.

18. Undertake the core functions of an audit committee.

The Audit & Governance Committee provides independent assurance and high-level focus on the audit, assurance and reporting arrangements, which underpin good governance and compliance with financial standards. It provides independent assurance on the adequacy of the risk management framework, and internal control environment and to the extent that these meet the objectives of the Local Code of Corporate Governance. It oversees the internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place. This includes the integrity of financial reporting and annual governance processes.

The Audit & Governance Committee is responsible overall for monitoring compliance with policies and procedures and for setting defined standards, where need be; this includes responding to reports from the Council's external auditor.

The Audit & Governance Committee has monitored its own effectiveness against the criteria outlined in the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022. The overall results reported to the Committee in June 2022 and March 2023 showed that the Committee arrangements are largely compliant with the CIPFA Statement and that there is a strong belief by its members that the Committee is operating effectively.

19. Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Directors are responsible for ensuring that, within their areas of responsibility, they establish and maintain effective systems of risk management, governance and internal control, complying with legislation, grant rules, the Council's own rules, etc. This includes both responding to recommendations by internal and external inspection processes and working with partner organisations.

A key element of assurance available to the Council and the Audit & Governance Committee are the annual assurance statements made by each of the Strategic Directors and the Assistant Director, which support the Annual Governance Statement. These require each Strategic Director and the Assistant Director to take personal responsibility for the operation of adequate and effective governance and internal control systems within their departments, which include compliance with applicable laws and regulations. This assurance includes their line reports areas of responsibility. The directors' assurance statements closely reflect the seven CIPFA/SOLACE principles of good governance and the Council's Local Code of Corporate Governance.

The Council has submitted evidence to the NHS Information Governance Toolkit (Data Security and Protection Toolkit). The submission is subject to NHS audit and this will enable the Council to continue to exchange data with NHS bodies should our compliance evidence be accepted.

During 2022-23 there have been 1054 Freedom of information (FOI) requests submitted with 1053 FOIs due for disclosure during this period. The compliance rate at the end of 2022/23 was 95.73%.

During 2022-23 there have been 447 Subject Access Requests (SARs) submitted with 421 SARs being due for disclosure during this period. The compliance rate at the end of 2022/23 was 93.35%. Whilst we have managed to clear the backlog of historical Children's SARs during 2022/23, there has been a significant increase in the number of requests submitted in comparison to 2021/22 that the team have limited capacity to manage. The newly introduced

Care Leavers support process encourages the data subject to request a copy of their files. This has put pressure on the limited resource to carry out this function and the capacity to manage other important disclosures in a timely manner has been impacted. The Corporate Information Governance (IG) SARs team has now introduced a prioritisation system to ensure that the professional SARs (Local Authority Safeguarding Requests/Disclosure & Barring Service/Adoption/Foster Carer Statutory Checks/Police Requests/Legal Requests) are carried out as a priority. SARS from Care Leavers and other members of the public are taking a lower priority. A temporary solution to the new backlog is in place, with staff from other areas of IG assisting with meeting deadlines. Additional resources are being recruited to increase capacity. However it will take 6-12 months to see the full benefit from this.

During 2022/23 there were two complaints made to the Information Commissioner's Office (ICO). This is a 33% decrease on the number of complaints registered with the ICO in 2020/2021 (three).

During 2022/23, there were 81 recorded information security incidents. This is a 1.25% increase on the number of information security incidents registered with the Information Governance Team in 2021/22 (80). Incidents where the cause has been identified as process failure as opposed to human error will continue to be reviewed to ensure the suggested remediation actions have been completed within the timescale required. All human error breaches have been followed up with line management instructions and retraining where appropriate. All third party data breaches have been assessed in accordance with their significance and reported to the ICO. No action has been taken by the ICO to date as a result of any third party reported incidents.

Audit & Assurance produces an internal audit charter, strategic statement and annual plan that are approved by the Audit & Governance Committee. The annual plan examines the Council's systems of risk management, control, and governance. It reports to individual managers on the outcomes of its audit reviews, agreeing management actions with them. Finalised reports and action plans are issued to relevant Directors. The team also regularly reports to the Audit & Governance Committee on the progress and outcomes of its planned work. At the year-end, a mandatory Head of Internal Audit opinion report is produced, which is part of the process to support the Annual Governance Statement. Routinely during the year Audit and Assurance reports to the Chief Executive and Audit & Governance Committee on governance matters of particular importance through its independent reviews of MAF Exception reports.

20. **Whistleblowing and for receiving and investigating complaints from the public.**
The Council's Whistle-blowing and Corporate Complaints Policies are available on the Internet. Both define what steps will be taken in investigating allegations of potential or suspected fraud or irregularity reported by staff or complaints received from members of the public.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

21. **Identify and communicate the vision and intended outcomes for citizens and service users.**

A key part of the corporate culture at Blackburn with Darwen Borough Council is for residents, elected members and staff to have a clear overview of the Council's priorities for service delivery. This is communicated in the form of a published Corporate Plan.

The Councils current Corporate Plan runs until the end of March 2023. During 2022, the Council has been developing the next iteration of the Corporate Plan, which will come into effect from

April 2023. During 2022, it was also agreed that a new performance framework would be developed to outline key performance indicators (KPIs) and reporting mechanisms to ensure the Council's performance against the new priorities can be measured.

Performance management arrangements have continued in 2022/23 to monitor the 70 performance measures and ensure the delivery of the Corporate Plan. Following the Covid pandemic, the reporting frequency has increased back to a quarterly basis.

Member and officer led challenge processes have taken place, with reports to the Leader of the Council and Corporate Leadership Team (CLT). The focus has been on improving services, delivery of the corporate priorities and strengthening accountability to Elected Members.

Quarterly reporting and challenge of corporate plan performance has taken place during the year, prior to reporting to Members at either Policy Council or Executive Board.

Priority issues are highlighted and discussed with all directors and the Chief Executive at Corporate Assurance Board. A challenge summary is produced and is used to brief the Chief Executive. The summary includes data for discussion on the Corporate plan, Management Accountabilities Framework (MAF) and any other key items pertinent for discussion; for example, HR data (sickness and Health & Safety), Business Plans, good news stories, key dates etc.

The Executive Board / Policy Council receives a report on the performance of all the Council's Corporate Plan performance measures. The report also includes areas of underperformance, which are explained in more detail by an exception report. As part of the transparency agenda, any performance indicators that are collected and reported are likely to be listed on the internet and may be subject to public scrutiny. Therefore, key performance indicators must be relevant and robust.

The Council's political and managerial leadership is widely respected. The confidence that partners have in the Council is in part inspired by its track record in stepping up to its responsibilities in partnerships across Lancashire and by its ability to deliver. Political and managerial leaders are experienced and, along with wider membership of the Council and staff, are passionate and committed to the area. This gives the Council a clear understanding of the place and its communities.

The Medium Term Financial Strategy (MTFS) is reviewed at Finance Council, and builds upon the priorities agreed at Policy Council and identified within the Corporate Plan.

Title	CIPFA Criteria	2021/22 Issue	2022/23 Action taken
1. Children's Services Financial Position	1,2,3,4	We are currently working through the year end closure of accounts and as such the final outturn is not yet known, however the portfolio is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2. The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets. There is an issue with placement sufficiency and cost pressures on external placements. These placements are closely monitored. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health issues who have sexually harmful and other risk taking behaviours and the impact of the added requirement for post-16 regulation of suitable accommodation. The implications of the Integrated Care System the pan Lancashire and South Cumbria approach to joint funding of children with complex needs and the implementation of the Individual Patient Allowance needs to be assessed. Consideration is being given to sub regional commissioning, along with a review of the internal provision. The	**Year-end Update 31 March 2023** The Children's Services budget has continued to experience significant pressures throughout 2022/23 and these are expected to continue into 2023/24. Those pressures are predominantly centred on Commissioned Placements, Foster Care payments and Adoption payments, as well as on SEN Transport. We are currently working through the year end closure of accounts and as such the final outturn is not yet known. However the portfolio is expected to return an overspend in line with the position previously reported in August. There remains an issue with placement sufficiency for our looked after children resulting in increasing cost pressures on externally commissioned placements. These placements are closely monitored with regular panel meetings to review them on a case by case basis. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health needs and who have sexually harmful and other risk taking behaviours, as well as the impact of the added requirement for post-16 regulation of suitable accommodation. Those placements that are available command very large weekly fees and competition for those placements is high.

		independent review into children's social care will a view on this. The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.	Recruitment and retention of in-house foster carers remains a priority. We are currently reviewing both the financial and wider support package offered to our foster carers to ensure that we remain competitive within the market whilst remaining within our available budget. Any increase in the number of in-house carers recruited as a result of this review would result in a reduction in the reliance on costly external placements. To assist with the financial review, an additional £500,000 has been added to the foster care payments budget in 2023/24 as part of the Council's Medium Term Financial Plan. Various payment models have been costed out and we are now finalising our proposals. It remains to be seen if the revised package will result in the recruitment of additional in-house carers and, once finalised, a strong focus will be placed on our recruitment activity and how we publicise our new offer. The new Integrated Care System and the pan Lancashire and South Cumbria approach to joint funding of children with complex needs has now been in place for 12 months yet due to difficulties experienced by Health in recruiting staff, we are still waiting for our previously approved cases to be reassessed under the new model. As such there remains a great deal of uncertainty surrounding the level of contributions we can expect from Health. In view of this position, the budget for 2023/24 has been realigned to remove the previous income target associated with contributions from Health.

2. Adult Social Care Commissioning	1,2,3	The Department is beginning to see escalating costs in the commissioning budget as a result of increased numbers of domiciliary care packages and increased acuity of need. However the commissioning budget is forecasting an underspend due to one off income in year. Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs). These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23, which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However, the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan. The Government have announced a Market Sustainability and Fair Price for Care Grant for 2022/23, which requires local authorities to undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further budget pressures in commissioning which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services. The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a	**Year-end Update 31 March 2023** The accounts closure process is still underway however the final outturn position for the portfolio's budget is expected to report an overall underspend of circa £1.9m. The majority of this underspend is within the area of Commissioning. The current underspend on external commissioning budgets of £1.3m includes remaining balance for winter demand pressures provision of around £500k. The original value of the provision has been reduced over the course of the year and this has been made possible due to the maximisation of the Discharge Funding of £637k that was announced in December enabling some winter pressures to be funded via the grant rather than using our provision. As part of the final closure process it is requested that this contingency is carried forward and retained to support future costs however this is subject to agreement at outturn. Increased demand pressures in Extra Care and Domiciliary Care as well as the cost of individual care packages due to acuity of needs should be noted during the course of 22/23. This has been contained in year from additional grants and increased Discharge funds have been confirmed for 23/24 (£1.17m) subject to specific conditions and spending and activity returns. This resource must be pooled within the Better Care Fund and is anticipated to be sufficient to meet the continuing demand seen in 22/23 as a result of hospital pressures,

		significant impact on the department at the same time as our preparations for full CQC inspection. The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.	workforce pressures in the care market and impact of cost of living crisis. During the year the implementation of Social Care reforms was expected, including Care Cap, new Means Testing, new Commissioning responsibilities and Fair Cost of Care. The department have completed the Fair Cost of Care (FCoC) exercise and returned the Cost of Care outcome, together with Market Sustainability Plans and grant spending plans, to the DHSC in line with the grant conditions. The Final Market Sustainability Plan was submitted to DHSC on 1st February 23 and is published on the Council's website. The department have also developed an updated Market Position Statement. FCoC returns varied across providers in scope. Domiciliary returns were representative of the market but Residential/Nursing returns were very low. For both, the FCoC indicated that the cost within our market is substantially more than our existing rates for 2022/23. It is important to note that the FCoC left significant areas of our market provision out of scope. However the exercise has further informed our local intelligence and identified specific challenges for our providers. This work has informed the care sector provider uplifts modelled for 23/24 and assumptions have been included within the MTFP. Final provider fees for 2023/24 have been submitted to the Executive Board for implementation in April 2023. The provider uplifts for 23/24 are in line with our Market Sustainability plans to move

			towards the Fair Cost of Care and include contracting providers to pay carers at the Real Living Wage. The cost of providers uplifts are within the additional resources and grants included within the MTFP. This includes the additional ASC Precept, additional social care grant and Market Sustainability funding. The allocation of 23/24 grants is subject to specific conditions and significant reporting requirements on both spend and activity data. This will place additional pressures on limited resources within the Adults Commissioning and Finance team. Work is underway to fundamentally review the resourcing of the Commissioning team to ensure the service is fit for purpose in the future. The Government's Autumn Statement confirmed a delay to the implementation of Charging reforms (including the care cap, more generous means test and implementation of Section 18 Commissioning responsibilities) until 2025. However additional work to implement systems and our readiness for these reforms is continuing. Finally the department have updated departmental business plans and have established a new governance structures which will track our progress against key areas, including Strategic Commissioning, Adults Finance and Performance/CQC. Work groups are established to drive forward and implement our plans to deliver against the target operating model, plans for the department and delivery of CQC Assurance and Improvement framework.

3. **Long term financial sustainability of the Council**	1,2,3,4,5, 6	Underpinning the development of the 2022/23 budget (and the Financial Strategy and 2022/25 Medium Term Financial Plan) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions the Council has experienced since 2010 nor reflective of the significant changes in demand for services. Consequently, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable. The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity. In addition there are ongoing income losses from the COVID pandemic as footfall and demand have not risen back to pre-pandemic levels. Further uncertainty has been created by rising inflation and the cost of living crisis and the projected increases in the national living wage will put further pressure in the Council's salary budgets. The February Finance Council meeting approved a Finance Strategy the aim of which is to provide a 'route map' for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council's Strategic Plan is achieved. There are four key themes to the Strategy; Grow (the Council's tax bases), Charge (for services where possible), Save (costs through transformation) and Stop (providing services where others are capable of providing them in place of the Council).	**Year-end Update 31 March 2023** At the meeting of Council on 27th February 2023, the Council's General Fund Revenue Budget and Capital Programme were both agreed. At the same, the Council agreed the Council Tax for 2023/24. In considering these budgets, the Council was provided with an update to the Financial Strategy and Medium Term Financial Plan. The Financial Strategy is, as previously set out, based around the themes of 'Grow, Charge, Save, Stop'. Further work has been undertaken to develop the 'save and stop' themes through the development of a series of workstreams. The approach to achieving a balanced budget for 2023/24 uses the Financial Strategy as a foundation. That said, the Council's Medium Term Financial Plan to 2026 still shows a gap of c£12m and so there is further work to do to identify ways to bridge this gap. For 2023/24, the focus will be to deliver the agreed budget without any further need for remedial action or calling on the Council's reserves. This will need to coincide with work to address the gap in the medium term through the various strategic workstreams. These will be complemented by the continuing efforts to grow the Council's tax bases (Council Tax and Business Rates) to create sustainable income streams. This is being supported by an ambitious capital programme which has recently been supplemented by additional levelling up funds of c£40m; this could be supplemented by additional funding through the Council's Levelling Up Partnership with the

			Government and the possibility of bidding to Round 3 of the Levelling Up Fund. A further review of the Financial Strategy and the Medium Term Financial Plan will be undertaken in May 2023 to inform the development of the budget for 2024/25. In the meantime, normal budget monitoring procedures are in place to ensure that the delivery of the budget for 2023/24 remains on track.
4. Children's Services Ofsted Inspection Findings	1,2,3,5	The Ofsted ILACS inspection in February/March 2022 acknowledged that there were areas of good practice in place but found that improvement was required to be good across the four categories inspected. The inspectors identified that that further work was needed to embed the full Quality Assurance Framework to drive forward practice. The outcome of the inspection, and key priorities, were reported to Executive Board in April. The report noted that additional investment would be required to cover improvement activity. A costed improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which is being be chaired independently to oversee the delivery of the response and actions identified. The Board has now met and had sight of the plan, which will now be approved by Executive Board prior to submission to Ofsted. It will continue to build on the Council's commitment to supporting the most vulnerable. The plan will address the key concerns around multi-agency strategy discussions, data and assurance, and our services and support for care leavers up to the age of 25.	**Year-end Update 31 March 2023** Following consideration of the impact and effectiveness of the Achieving Excellence Board, the decision was made in October to replace it with a new Improvement Board chaired by the regional LGA Children's Improvement Advisor. The Board meets on a monthly basis. In addition to representation from across the department, the following officers are members of the Board to help further support and strengthen the development of a strong corporate and whole council approach to delivering effective services for children: • Chief Executive • Assistant Director, Chief Executive's • Strategic Director, Adults & Health • Strategic Director, Finance & Resources • Head of Organisational Development & Workforce Strategy The Board considers a wider range of issues than the previous Achieving Excellence Board

		The Action Plan will be subject to further refinement as the financial year progresses. This acknowledges that the Council's response needs to be both immediate to deal with some of the issues raised in the Inspection and developed to ensure that the improvements in the service are sustained to deliver the best outcomes for Children in a way that remains affordable for the Council.	including standard items such as leadership and management, quality assurance, workforce, finance and performance, along with relevant reports. The scope of the improvement plan has been widened to capture all areas for improvement across the service, and not just those highlighted within the ILACS report. In light of the feedback from the LGA Peer Review of our leaving care services in March 2023, the improvement plan will be subject to further prioritisation and review to increase its focus on impact, outcomes and performance measures.
5. Teachers' Pension Agency Year End Certification and audit	3,5	There are a number of issues in iTrent when running the Monthly Contributions Reconciliation (MCR) return for teachers' pension contributions which the Council is required to provide the Teachers' Pension Agency (TPA). This is causing additional manual activity for Payroll staff of around 10 days per month that should not be required, is not sustainable and creates the risk of human error. The software provider has been working on identify the cause of the errors and resolving these. This work is currently on-going. The software provider has been put on notice that the Council reserves the right to recovering the additional costs arising from the extra work required as a result of these issues occurring. If the issues are not able to be resolved there is significant reputational risk to the Council. Any under payment of teachers' pensions contributions identified will also attract compound interest. At this stage it is not clear when the issues will be resolved.	**Year-end Update 31 March 2023** Work is still ongoing with the supplier to resolve outstanding issues. Assurance have been given at Project Board that this activity will continue until a resolution as concluded.

		A year end certificate was manually produced by 31 May, as required. This is now required to be audited. The auditor must provide the audited return direct to the TPA by 30th November 2022.	
6. Performance Management System	1,2,3,5	Corporate performance monitoring arrangements were stepped back during the last two years to allow for the Council to provide an effective response to the pandemic. In light of the new Corporate Plan being developed and implemented, alongside the Organisational Development Framework and new Council Values and Behaviours, the Performance Management Framework and reporting arrangements needs to be reviewed, refreshed and strengthened, linked into business plans, to ensure that the right information is being monitored and reported accurately, in a timely manner. This will ensure that there is a better corporate understanding of service performance. This will enable a better corporate focus on service performance along with co-ordination of cross-cutting matters, better engagement with staff and their development and the development of a culture of improvement.	**Year-end Update 31 March 2023** The current Corporate Plan Performance KPI report was taken to Policy Council in December 2022, and this provided an overview and progress on previous corporate plan priorities. During the year, we have refreshed the Council's corporate missions, which were formally adopted at Council Forum in October 2022. Further details were provided at Policy Council in December 2022. The new Corporate Plan 2023/27 has been developed via extensive consultation and engagement which has included a residents' survey, sessions with young people, officer and member engagement and other bespoke sessions with the public and partners. A new suite of Corporate KPIs is being developed and will be measured from Q1 2023/24 Business Planning guidance has been refreshed and issued for 2023/24 and all departments will finalise their plans by end of April. A new Performance Management Framework has been developed and rolled out as part of the Corporate Plan launch and aligns with a refreshed approach to managing individual performance via the new Personal Plans. Corporate Plan Performance reporting alongside the Departmental MAF report will become a twice-yearly update to Corporate

			Assurance Board in 2023/24. We will be building and developing departmental Performance reporting in 2023/24. This will see regular updates on service performance being reported at Corporate Assurance Board in 2023/24. We are planning to publish an annual Delivering for You report. This will showcase some of the work we have delivered/what we achieved and will complement the formal performance reports.
Property, Plant and Equipment (PPE) Valuations	1, 4, 5	During the audit of the Statement of Accounts for 2020/21, the External Auditor experienced significant difficulties obtaining adequate assurance of the valuation of the Council's PPE. As a consequence, for 2021/22, they employed their own Valuer to provide support to them and to critically examine the Council's valuations for the Statement of Accounts for 2021/22. Again, this highlighted significant issues with the quality of valuations. As a consequence, the Council has outsourced the valuation of assets for accounting purposes for 2021/22 onwards.	**Year-end Update 31 March 2023** During 2023 the Council engaged a third party valuer to undertake a number of depreciated replacement cost valuations for 2021/22 and 2022/23.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the members of the Council's CAB who each sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place within their areas of responsibility, the Head of Audit & Assurance's annual opinion report, and by comments made by the external auditors and other inspection agencies.

The Council regularly reviews its Constitution and has delegated to the Audit & Governance Committee responsibility for reviewing the effectiveness of the governance framework and for reporting to the Executive Board where it thinks that there are issues that must be considered by the Executive.

The Scrutiny Committees set their own annual work plans and report to the Council both quarterly and annually. These Committees continue to monitor the performance and delivery of the Executive, engaging and challenging through a variety of scrutiny review methodologies, traditional reviews, appreciative and collaborative inquiries. Where appropriate, Members will utilise Task and Finish Groups outside of Committee to scrutinise and work with Officers on a wide range of issues. Overview and Scrutiny arrangements have been reviewed and revised and their effectiveness will be monitored.

The Audit & Governance Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report. The 2021/22 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. A new Member's Code of Conduct was approved by Council on 30 August 2012 in accordance with the Localism Act 2011. This included new arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary make appropriate recommendations.

The Standards Committee reviews the Member Code of Conduct and Complaints procedures on an annual basis and the latest versions are included as part of the Constitutional updates to Council.

Any matters following investigation, which require a hearing for determination of a potential breach of the code of conduct would be considered by the Hearings Panel (Sub Committee of the Standards Committee) who would make appropriate recommendations.

External inspection and assurance by External Audit during the year

The final Auditors Annual Report for the year ended 31 March 2021 presented by the Council's external auditor to the Audit & Governance Committee in June 2022 noted that their work for that year on both business as usual and adapted structures had not identified any identified any significant weaknesses in arrangements. It also noted that the Council is operating in an increasingly uncertain financial environment and will need to continue to plan with little certainty over funding in the medium term. Despite this the Council has maintained a good financial position. Overall there was no evidence of significant weaknesses in the Council arrangements for ensuring it makes informed decisions and properly manages its risks.

The Report also noted the following:

- The information published in the financial statements, including the Narrative report and Annual Governance Statement, was consistent with their knowledge of the Council and the financial statements they had audited.
- The Council had suitable arrangements in place for planning and managing its finances.
- With regards to financial sustainability the Council was well managed and there was a high level of understanding of its budgetary position, budgetary pressure and any savings required. The budget was reviewed regularly and issues reported on a timely basis to those charged with governance.
- Overall the external auditor was satisfied the Council had appropriate arrangements in place to ensure it managed risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

The external auditors did not make any statutory recommendations or exercise any of their additional statutory powers or duties under the Local Audit & Accountabilities Act 2014 in the course of their work for the 2020/21 audit year. No significant weaknesses or key recommendations for the Council were identified as part of their work on arrangements to secure value for money.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and SGOG, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA, which has identified what may be considered generally as a significant issue. These criteria are:

1. The issue has/may seriously prejudice or prevent achievement of a principal objective;
2. The issue has/may result in a need to seek additional funding to allow it to be resolved;
3. The issue has/may result in significant diversion of resources from another aspect of the business;
4. The issue has/may lead to a material impact on the accounts;

5. The issue, or its impact, has/may attract significant interest or seriously damaged the reputation of the Council;
6. The issue has/may result in formal action being taken by the Section 151 Officer and/ or the Monitoring Officer;
7. The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
8. The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

Significant governance issues identified during 2022/23 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
Long term financial sustainability of the Council	1,2,3,4,5,6	The development of the 2023/24 budget (and the Financial Strategy 2022/25 and update to the Medium term Financial Plan 2023/26) is set against a continuing challenging national economic backdrop and on-going pressures on public finances and spending. Although the Council's Core Spending Power will increase this is predicated on a number of assumptions and is not sufficient to make up for the funding reductions the Council has experienced since 2010 nor is it reflective of the significant changes in demand for services and increased costs that the Council is experiencing. These include the significant pressures the Children's Services budget experienced throughout 2022/23 which are expected to continue into 2023/24. Those pressures are predominantly centred on Commissioned Placements, Foster Care and Adoption payments, as well as SEN Transport. There is also the potential for an increase in contract costs in respect of the extra care and sheltered housing contract and the LD supported living framework for Adults Social Care as rates are likely to rise significantly in order to reflect the current market process and ability to attract suitable workforce to support increasingly complex packages of care in the community. Following Covid-19 it is likely that the Council will see the risk of increased contract costs across the wider sector including Residential, Nursing and Domiciliary care. In addition there a range of other cost pressures that the Council is subject to	Chief Executive and Directors

		which need to be managed. Some of these are generic (pay award, National Living Wage and non-pay inflation) and some specific to services. The Council remains heavily dependent on government funding to both provide services and to invest in economic growth and regeneration. To the extent that this remains constrained and there continues to be limits on the Council's ability to raise income locally, either imposed by Government or because of the nature of the local economy, the Council will continue to experience difficulties in achieving a balanced budget. Whilst the 2023/24 budget is balanced there remains a budget gap of c£12.2m to 2025/26. The Financial Strategy, amongst other matters, provides a broad framework by which the Council can implement measures to deal with this gap. The Strategy is based around the following themes: • Growing the council tax bases; • Charging for services, reviewing fees and charges, reducing subsidies, and considering new fees and charges etc; • Saving costs through transformation; and • Stopping spending on low priority areas or working with other partners to deliver services that would otherwise be delivered by the Council. For 2023/24, the focus will be to deliver the agreed budget without any further need for remedial action or calling on the Council's reserves. The Council is taking a strategic approach to the delivery of savings over the medium term through a series of workstreams. Amongst other matters, these are considering the structure of the organisation, how the Council delivers services, the operating models in both Adult and Children's social care and how we exploit technology through the transformation of frontline and back office services.	
Children's & Education and Adults Inspection Readiness	1,2,3,5	Children's Services & Education are subject to inspection from OFSTED, the Care Quality Commission (CQC) and Youth Justice Board, along with the Joint Targeted Area Inspection (JTAI) of the	Strategic Directors Children's & Education and

		Council, Police and Health partners in relation to the wider safeguarding partnership. Over the coming year the directorate may be subject to a focused inspection following our ILACS full inspection in March 2022, and a local area SEND inspection, which includes Children's Services and Health. Preparation for the focused visit is part of our monthly Improvement Board agenda. The Improvement Board is to be expanded and include partners from Health and Police. The areas of improvement identified in the recent JTAI will be included in the Board monitoring arrangements. Preparation for the Local SEND inspection is managed through the SEND Operational Improvement Board and SEND Strategic Board. This board has partners from Education, Health, Adult and Children's social care. Under the Health and Care Act 2022, from 1st April 2023 Local Authority Adult Social Care departments are also being inspected by CQC and assessed for their compliance with Care Act 2014 and other legislative requirements. The Act gives inspectors new powers to allow them to provide a meaningful and independent assessment of care at a local authority and integrated care system level. There is a reputational risk to the Council if we fail to prepare appropriately and subsequently receive a poor outcome. A self-assessment has been carried out against identified key themes and quality statements. Gaps in provision and areas for development have been identified, with plans to address these gaps being developed. Subject matter experts have been identified and working groups established to gather, validate and log pieces of evidence. Governance arrangements are in place to report activity into Senior Leadership Team.	Adults and Health
Completion and Sign-off of Financial	1,4	The Council's Statement of Accounts for the years 2020-21 and 2021-22 have not been signed off by the external auditors, Grant Thornton. This creates a significant	

Statements by External Audit		resource issue for the corporate finance team in terms of delays and the workload arising from having three separate years of accounts open. As a result of earlier years not being signed off the closure of the 2022-23 accounts and therefore production of the 2022-23 Statement of Accounts and subsequent audit will be delayed. The issues compound year on year. In addition the Council has new auditors, Mazars for financial year 2023-24 and there is potential that they will not start their audits until Grant Thornton have completed the prior years.	
Corporate and Departmental Performance Management System	1,2,3,5	The Corporate Plan 2023/27 was launched following Policy Council in December 2023. Alongside this a new suite of Corporate KPIs is being developed and will be measured from Q1 2023/24. Business Planning guidance has been refreshed and issued for 2023/24 and all departments will finalise their plans by end of April. A new Performance Management Framework has been developed and rolled out as part of the Corporate Plan launch. Corporate Plan Performance reporting alongside the Departmental MAF report will become a twice-yearly update to Corporate Assurance Board in 2023/24. We will be building and developing departmental performance reporting in 2023/24. This will see regular updates on service performance being reported at Corporate Assurance Board in 2023/24.	Assistant Director, Chief Executives Department
Property, Plant and Equipment (PPE) Valuations	1, 4, 5	During the audit of the Statement of Accounts for 2020/21, the External Auditor experienced significant difficulties obtaining adequate assurance of the valuation of the Council's PPE. As a consequence, for 2021/22, they employed their own Valuer to provide support to them and to critically examine the Council's valuations for the Statement of Accounts for 2021/22. Again, this highlighted significant issues with the quality of valuations. As a consequence, the Council has outsourced the valuation of assets for accounting purposes for 2021/22 onwards.	Strategic Director Growth and Development Strategic Director Finance and Resources

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………… ………………………………………
Leader **Chief Executive**

Date: ………………………………… ………………………………………

REPORT TO :	Audit and Governance Committee
LEAD OFFICER:	Strategic Director of Finance and Resources
DATE:	18th March 2024

PORTFOLIOS AFFECTED: **All**

WARD/S AFFECTED: **All**

TITLE OF REPORT: Response to the External Auditor's request for information on how the Audit Committee gains assurance from management

1. PURPOSE

To contribute towards the effective two-way communication between Blackburn with Darwen Borough Council's external auditors and Blackburn with Darwen Borough Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where external audit are required to make inquiries of the Audit and Governance Committee under auditing standards.

2. RECOMMENDATIONS

The Committee is recommended to comment as appropriate on the risk assessment at Appendix 1.

3. BACKGROUND

3.1 Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

3.2 This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

4. KEY ISSUES

4.1. As part of the external auditors assessment procedures they are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

4.2 This report includes a series of questions on each of these areas and the response audit received from Blackburn with Darwen Borough Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

5. POLICY IMPLICATIONS

There are no policy implications arising directly from this report

6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from the contents of this report.

8. RESOURCE IMPLICATIONS

There are no other resource implications arising directly from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS

There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS

None arising from the contents of this report**.**

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

VERSION:	**0.01**

CONTACT OFFICER:	Simon Ross – Head of Finance (01254 585569)
DATE:	March 2024
BACKGROUND PAPERS:	

Informing the audit risk assessment for Blackburn with Darwen Borough Council 2021/22

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Blackburn with Darwen Borough Council's external auditors and Blackburn with Darwen Borough Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Blackburn with Darwen Borough Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	Coronavirus pandemic: • significant additional costs and loss of income to the Council caused by the pandemic has led to variations in expenditure and income across all the Council's portfolios • additional funding has been received from Government to offset these losses – we need to ensure that we have identified the many grant funding streams and have accounted for them appropriately • impact on Collection Fund accounting • impact on provision for bad debts Infrastructure Assets accounting changes Heritage assets accounting policy The Director of Finance reported on accounting policies to March Audit and Governance committee
2. Have you considered the appropriateness of the accounting policies adopted by Blackburn with Darwen Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	No changes to the accounting policies section of the Statement of Accounts document. The Council has undertaken a review of its MRP policy with Arlingclose, treasury management advisors. As a result of this review the Council has updated its policy to apply the annuity calculation method to all elements of the CFR. The estimated lives used have not changed.
3. Is there any use of financial instruments, including derivatives? If so, please explain	No changes since 2020/21 and nothing unusual. No derivatives are used. We have longstanding LOBO's but they do not involve complex arrangements and are not significant. Details are reported to the Audit & Governance Committee on a regular basis.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Additional expenditure related to the Covid pandemic, also loss of fees and charges income but increase in grant funding will impact on gross expenditure and income in CIES

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	This has been discussed with the in-house property valuer and the annual impairment review requested. Nothing identified to date.
6. Are you aware of any guarantee contracts? If so, please provide further details	The only contracts we are aware of are where the Council is in effect a guarantor is in relation to the Local Government Pension Scheme, where we are the Scheme Employer for an Admitted Body Status Agreement. There are a few pension guarantees in place where staff have TUPE transferred to external companies. However, the numbers are low and the companies have no pensions deficit therefore these are not considered to be material.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	We are aware of a small number of social care insurance claims which involve Human Rights Act breaches. These are being handled by the Council's insurers and are not expected to have an impact on the financial statements. The Council is currently in discussions with LCC regarding responsibility for a public liability claim which pre-dates the Council's unitary status. The Council is also managing a public liability claim relating to alleged asbestos exposure for which there is no insurance cover.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Blackburn with Darwen Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	External solicitors are usually instructed via the North West Legal Consortium. This is a legal consortium [with nearly 50 public sector members] who procure external solicitors at preferential rates to provide legal services via a framework agreement. At present there are no external solicitors working on open litigation or contingencies from prior years. NB Social care lawyers have not been included in this response Blake Morgan are instructed on the legal challenge we have received on Blackburn Bus Station Forbes are assisting on pre 1998 abuse damages claim involving Lancashire County Council and a asbestos claim re a former stallholder on our old 3 day market

General Enquiries of Management

Question	Management response
9. Have any of the Blackburn with Darwen Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	We have not been made aware of any instances of this type of issue during the last 12 months.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Arlingclose – Treasury Management advisors Croftons Solicitors (Now Knights Professional Services Ltd) and Beever and Struthers – proposed Local Housing Company Parkinson Real Estate - External valuer for the Town Hall and Turton Tower PSTAX – advice on complex VAT issues in addition to general support and VAT training for our staff
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes we have, covered by bad debt provisions if applicable. These are considered each year as part of our closure process. Significant provision has been made for Council Tax, business rates, housing benefit, sundry debtors, penalty charge notices.

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management. Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Blackburn with Darwen Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Blackburn with Darwen Borough Council's management.

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Fraud risk assessment

Question	Management response
1. Has Blackburn with Darwen Borough Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Council's risk management processes link to financial reporting?	Overall we consider that there is a low risk that the financial statements may be materially misstated due to fraud. There are a number of processes in place to prevent and detect fraud with the accounts. These include:- • Via regular monitoring we review expenditure / income throughout the year with the budget holders • Portfolio Finance Officers check accruals for reasonableness, including review of period one transactions • Approval hierarchy / limits in Civica Purchasing – this is the point of authorisation for most of the spending • Approval hierarchy for journals / virements • Internal audit review of main financial control areas linking through to the Annual Governance Statement • Keeping up to date with the latest guidance to ensure proper accounting rules are adhered to. The Council has appropriate arrangements in place to identify and respond to the risk of fraud. These include the Fraud Policy Statement, Whistle Blowing Policy and Fraud Response Plan. These set out the Council's position regarding this area. There are various processes to highlight fraud risks and raise awareness, these include the circulation of fraud alerts and information received from the National Anti-Fraud Network to relevant managers and staff and the provision of eLearning packages for managers and staff covering fraud awareness, preventing bribery and corruption. The Council has a dedicated whistle blowing phone number in place which is monitored by Audit & Assurance staff who will follow up any calls relating to fraud allegations and carry out appropriate investigations. The audit team are also informed of any potential or suspected fraud which may be brought to managements attention through other channels, such as the corporate complaints process. These are followed up under the whistle blowing policy where relevant. The results are reported to senior management and the Audit & Governance Committee The Council also participates in the National Fraud Initiative (NFI). NFI data matches are followed up by

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The Audit & Governance Committee receives regular reports during the year setting out the progress of Audit & Assurance work against the risk based plan. The reports include details of counter fraud investigations that have been carried out during the period, progress of NFI work and the overall opinions for completed audit reviews. The report provides additional details of risks or key issues and weaknesses for any reviews where ‘limited’ or ‘no’ assurance opinions have been provided. The results from the audit follow-up of agreed actions plans of completed reviews is also summarised in these reports. The Committee is provided with a briefing session on a specific corporate risk, which it selects, on a regular basis. This allows the members to improve their understanding on the nature of the selected risk and challenge senior officers on the details of the risk and controls in place.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Blackburn with Darwen Borough Council where fraud is more likely to occur?	The Council has developed a counter fraud risk register which identifies 13 key areas for the risk of fraud and related controls in place to manage these areas. During 2022/2023 Audit & Assurance staff will work with the key contacts for each risk identified to review and update the details of the risks and controls identified and consider any new areas where there may be significant risk of fraud which need to be considered for inclusion in the register. Audit & Assurance considers the Council’s control and risk management framework and processes as part of the development of its risk based plan, which is presented annually to the Audit and Governance Committee for approval, and as part of reviews of the related fundamental financial systems. Whilst areas for improvement have been identified to strengthen controls in place, with some exceptions identified regarding compliance with the controls in place, no material issues have been identified during the year. We do not have any particular concerns that there are any specific areas that are at particular risk of fraud or any locations where fraud is more likely to occur.
6. What processes do Blackburn with Darwen Borough Council have in place to identify and respond to risks of fraud?	The Council has various arrangements in place to identify and respond to the risk of fraud. These include the Fraud Policy Statement, Whistle Blowing Policy and Fraud Response Plan. These documents set out the Council’s position regarding this area. There are various processes to highlight fraud risks and raise awareness, these include the circulation of fraud alerts and information received from the National Anti-

Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for Blackburn with Darwen Borough Council, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	The Council has a comprehensive and robust internal control framework in place, including Financial Regulations, Standing Financial Instructions, Contract and Procurement Procedure Rules, an Officer Scheme of Delegation, a Counter Fraud Policy and Strategy and resource and budget monitoring processes. These various documents and processes are monitored and reviewed periodically to ensure that they are up to date and fit for purpose. Directors are responsible for self-assessing the effectiveness of their arrangements and required to complete a Director's Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. Audit & Assurance considers these control processes as part of the development of the risk based plan and as part of reviews of the related fundamental financial systems. Whilst areas for improvement have been identified to strengthen controls in place, and some exceptions were identified regarding compliance with the controls in place no material issues have been identified during the year in respect of the fundamental financial systems.
8. Are there any areas where there is potential for misreporting? If so, please provide details	Accruals and other estimation techniques, however, detailed guidance is sent out to senior management for cascade down to staff in departments. Also, Finance teams work closely with budget holders to advise on recording expenditure and income in the correct accounting period

Fraud risk assessment

Question	Management response
9. How does Blackburn with Darwen Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	The Council has an Officer's Code of Conduct which is used to encourage ethical behaviour in staff. This is reviewed annually as part of the review of the Constitution. There are also Standing Financial Instructions relating to Registers of Personal and Business Interests and the receipt of Gifts and Hospitality. An annual email is sent to staff reminding them of the importance of these areas and the need to complete the appropriate declarations and return them to their Directors for consideration. There are is also an online training courses for staff covering Fraud Awareness. Details of how staff can report concerns over any wrong doing is included in the Conduct and Behaviour section of the Intranet. This includes examples of areas of concerns which staff may identify and a link to the Whistleblowing Policy. There is also advice for staff regarding the prevention of procurement fraud. A reminder of the Policy was included in Teamtalk during the year. Staff are expected to report any concerns that they may have regarding any potential or suspected fraud, either to their line manager or to Audit & Assurance. There have been no significant issues reported during the year.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Those in relation to exchequer functions – making payments / collecting and recording income etc. Treasury management – dealing with borrowing and investments HR & Payroll Posts responsible for procurement activity and raising and approving orders Controls ensuring separation of duties e.g. setting up new vendors; change of bank details; authorisation hierarchy for ordering; set-up / changes to employee details etc. Financial procedures, Procurement and Purchasing Rules and Standing Financial Instructions are in place setting out staff roles and responsibilities.
11. Are you aware of any related party relationships	None that we are aware of currently

Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee? How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Governance Committee receives regular reports from Audit & Assurance setting out the progress of the approved Audit Plan during the year. This includes an update on the progress of work on the follow up of data matches identified from the National Fraud Initiative and any fraud and other investigations and carried out in the period, as well as the overall opinions for the audits finalised in the period and a summary of issues identified where 'limited' or 'no assurance' opinions are provided. The Committee members are able to ask questions of officers during the year regarding the details of the audit work and counter fraud activity reported to clarify any of the details reported and improve their understanding of these areas. The Committee also invites senior officers to provide updates on any significant areas of concern raised in the reports in respect of key or fundamental financial systems. The 2021/22 Internal Audit Annual Opinion Report will be presented to the Committee in June 2022. It, concluded that the Council has adequate systems of risk management, control and governance in place which are being applied to an adequate standard. The Committee also receives a Counter Fraud Annual report setting out the results of investigations carried out and counter fraud activity undertaken during the previous year. The 2021/22 report concluded that that the Council had effective measures to enable the prevention and detection of fraud and irregularities.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Yes. These have been investigated by Audit & Assurance, to establish if there has been any evidence to support the allegations made by the whistle blowers. The findings have been reported to management and the Audit & Governance Committee. No instances of fraud have been identified.
14. Have any reports been made under the Bribery Act? If so, please provide details	No

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that Blackburn with Darwen Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Blackburn with Darwen Borough Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	The Council's Legal & Governance department provides advice on law and regulation on a number of areas that relate to Council's business and activities. In addition, the Contracts & Procurement team also advise on laws and regulations relating to that area. There are a number of qualified legal professionals with expertise in specific areas of the law, who would provide advice and legal support to departments. The Legal & Governance department also includes the Council's Complaints team, who coordinate complaints receive, and where they escalate undertake internal investigation and liaise with the LGO when referred. The consideration and dealing of complaints are supported by qualified legal staff. Any legal issues that are identified from the complaints are actioned appropriately. Instruction of external legal advisers including Counsel as appropriate in complex matters. To update knowledge, qualified legal staff are required to undertake extensive training and collate CPD points-regulated by the Solicitor's Regulatory Authority. The Council's Constitution is regularly reviewed and updated, ensuring that relevant changes in the law are reflected and that the governance framework is legally sound. There have been no actual claims for judicial review issued against the Council for a number of years. However, letters before action under the Judicial review protocol were received which were responded to adequately and thereby negating the need for a claim to be made. The Strategic Head of Service (who is also the Monitoring Officer) is the authorised signatory for all court documentation, statutory notices and signing of deeds etc. Regular legal performance information provided to management e.g. children's social care order applications and prosecution numbers. The Council has written procedures/protocols to deal with regular situations where we have legal obligations to discharge e.g. Traveller/Unauthorised Encampments-discharge of our legal duties in relation to equalities and human rights, RIPA Procedural Guide, CCTV Policy and Enforcement and Prosecution Policy. Legal & Governance have drafted and advised on

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Impact of laws and regulations

Question	Management response
5. What arrangements does Blackburn with Darwen Borough Council have in place to identify, evaluate and account for litigation or claims?	Claims in Legal services over recent years have generally declined and have been relatively low in value. High risk claims would potentially be monitored via our risk register. Outcomes of cases or situations where the council could be legally challenged tend to be evaluated 'organically' and procedures changed/developed by way of lessons learnt e.g. procedures for remedial action for data breaches-outcomes monitored for the organisation, issues identified from feedback/complaints received and LGO reports etc..
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There are no reports known of that would affect the financial statements.

Related Parties

Matters in relation to Related Parties

Blackburn with Darwen Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Blackburn with Darwen Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council’s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in Blackburn with Darwen Borough Council's 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and Blackburn with Darwen Borough Council • whether Blackburn with Darwen Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	The Council has an interest (49%) in Maple Grove Blackburn Limited, a joint venture company with the aim of acquiring and preparing sites within the Borough in order to facilitate the development of the town centre. During the year the Council has given the company additional loans of £1.2M, being its share to be used towards the purchase of the former Thwaites site. The Council has an interest (25%) in Barnfield Blackburn Limited, a joint venture company with the aim of acquiring and preparing development sites within the Borough in order to facilitate growth in jobs and housing. During the year the Council has given the company additional loans of £0.25M, being its share to be used towards the acquisition of Blakey Moor Building.
2. What controls does Blackburn with Darwen Borough Council have in place to identify, account for and disclose related party transactions and relationships?	Registers of Interest for staff and Members maintained Related party relationships and transactions are fully reviewed as part of the closure process and all significant transactions disclosed in the notes to the accounts. Members Register of Interest reviewed for personal / business interest with which the Council has transactions. Management Board (Chief Executive & Directors) each required to make a personal return in respect of their own / any family members potential interests
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Decision making hierarchy specified within the Council's Constitution. Significant transactions would be classed as "Key Decisions", which require reporting to / decision making by the Executive Board. Finance Managers receive weekly email with links to Officer / Exec Member / Exec Board decisions taken
4. What controls are in place to authorise and approve significant transactions outside of the	As above

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Blackburn with Darwen Borough Council will no longer continue?	The Council has set a balanced budget as approved at Finance Council each year. The budget presented represent the Council's priorities for the coming financial year and does not identify and events or conditions that would indicate statutory services being provided by the Council will no longer continue. The budget is presented alongside the Council's Medium Term Financial plan for three financial years and does not project a circumstance in which statutory services would no longer be provided. Revenue monitoring reports are taken to Executive Board on a quarterly basis to provide the Council's forecast position and this would be the Forum that would flag any such events or circumstances in year that would lead to a cessation of services, none have been identified.
2. Are management aware of any factors which may mean for Blackburn with Darwen Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Management are not aware of any factors which may mean for Blackburn with Darwen Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued
3. With regard to the statutory services currently provided by Blackburn with Darwen Borough Council, does Blackburn with Darwen Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Blackburn with Darwen Borough Council to cease to exist?	Blackburn with Darwen Borough Council expects to continue to deliver all statutory services for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits Blackburn with Darwen Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will	Management are satisfied that the financial reporting framework permits Blackburn with Darwen Borough Council to prepare its financial statements on a going concern basis? Management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Those where the basis of measurement for the amount recognised in the accounts is uncertain, therefore an estimation technique is required, e.g.: • Accruals of expenditure and income • Valuation and depreciation of property, plant and equipment assets • Fair value measurements • Impairment allowance offset against arrears • Assumptions made when calculating accounting provisions • The valuation of the Pensions liability
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Included within guidance issued / procedures followed in relation to the annual closure of accounts process. For example detailed guidance on the requirement to make accruals to ensure expenditure and income is recorded in the correct accounting period
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Management follows the latest professional guidance to assist in identifying issues that may impact on accounting assumptions and estimates used in preparing the statement of accounts e.g. events causing increased uncertainties. Also, discuss with: • LCFO's Finance Sub Group and G M Chief Accountant's groups to compare approach; and • external audit regarding any new areas they will be focussing on Assumptions / source data is taken from historical data wherever possible amended to reflect known / likely changes
4. How do management review the outcomes of previous accounting estimates?	Comparison of actual outcomes to estimates made – review and update historical information to inform future estimates
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	Review of sundry debt and impact of restrictions due to pandemic on collectability of debt – impact on potential write-offs and calculation of bad debt provision. Also assumptions regarding collectability of council

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	If estimates involve specialised professional judgements and access to specific relevant data, which the Finance team do not have / have access to, then a relevant expert / advisor is needed e.g. Treasury Management Advisors / Property Valuers / Pensions Actuaries
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	For significant accounting estimates provided by the advisors above, the Finance team will review supplementary information to support the calculations provided by the advisors and discuss the methodology to ensure they understand the estimates made
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	The Council is starting to review evidence to support property valuations on a sample basis in order to challenge the valuations carried out. An exercise is also carried out to compare the movement in valuations to that expected by an uplift in sector specific indices. Terms of engagement have been issued to the internal valuer and indepenedant valuations have been obtained for Turton Tower and the Town Hall.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	• Finance Managers review evidence of accruals requested by budget holders. • Month1 creditor payments are reviewed to ensure all either relate to the new year or have been accrued for • Outstanding purchase orders are reviewed by budget holders / finance teams during the last quarter of the year to ensure system generated accruals are appropriate • Internal audit review of financial reporting and accounting estimates

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	Possibly accounting treatment of various Covid related grants but otherwise no Infrastructure assets
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes, see Appendix A
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Not explicitly reported to Audit & Governance Committee currently but specific disclosures are included within the Statement of Accounts A short presentation / training session was undertaken with the Audit & Governance Committee to raise awareness of the accounting estimates used in the preparation of the Council's accounts The Section 151 Officer signs off and all evidence in statement of accounts, true and fair view

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Management engage a valuation expert, who is a member of the Council's Property Team, to undertake a sample of property valuations each year. Properties are valued in line with accounting standard requirements and in accordance with the applicable RICS standards.	Appropriately qualified valuer is engaged to undertake valuations.	Yes	Since valuations are compiled by an expert using recognised measurement techniques and based on professional guidance, the underlying data is considered to be reliable and the scope to use judgement and change assumptions limited.	No
Investment property valuations	As above.	As above.	Yes	As above. The Council only has one investment property (TV Relay Station) which is not of significant value (~£50,000) so changes in the estimate of fair value are unlikely to have a material impact.	No
Depreciation	Civica Asset Register used to calculate amounts generated	Suitably qualified officers/valuer advise	Yes	The main assumption in the depreciation is the useful life of the asset	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The Projected Unit method of valuation is used to calculate: • benefit obligation (liability) - the total present value of individual scheme members benefits in relation to service completed up to the date of the calculations • Service cost - the total present value of individual scheme members benefits which is attributable to service during the accounting period	Appropriately qualified experts used to derive valuations.	Actuarial services including calculation of accounting information provided by Scheme Actuary - Mercers	Detailed information to support calculations and assumptions used is provided by the Actuary based on data submitted by the employer. The Council has not been subject to: Significant increases in pay inflation • Significant outsourcing / bulk transfer of scheme members • Amalgamation/reorganisation • Significant redundancy/restructuring programs • Average pay increases significantly in excess of assumptions adopted	Yes, prepayment will reduce liability from that assessed by Actuary Also fundamental changes in market- implied RPI due to a change in the RPI formula has impacted on Actuary's assumptions for CPI
Level 2 investments	Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments	Appropriately qualified experts used to derive valuations.	Fair value calculations provided by Arlingclose	The Council does not have any complex investments with high degrees of uncertainty. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – last year this question specifically mentioned Business Rates Appeals	Data from VOA for both 2010 List appeals and 2017 List Check, Challenge, Appeal data	Approach discussed at GM Collection Fund Accounting Group	No	Uncertainty due to variance in appeal decisions and significant backdating re 2010 list. Check, Challenge, appeal system has curtailed activity to some extent	No
Accruals	Creditors generated by Purchasing Module of Civica where orders receipted but not paid at 31/03/21.	Detailed guidance issued to budget holders and manual accruals reviewed by Finance team prior to input. Transactions in first month of new year examined to identify if accruals have been missed	No		No
Credit loss and impairment allowances	Consideration of age profile of arrears and other specific issues impacting on collectability of debt	Calculation done corporately then reviewed by service finance officers with more in depth knowledge of specific	No	Covid pandemic has impacted on ability of debtors to clear arrears – in particular Markets / Commercial Properties but thse areas have been subject to greater scrutiny over the past year	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.	Experts used where appropriate.	A valuer is engaged to provide the asset fair value where appropriate. Where appropriate, management will engage with Arlingclose.	There is a limited degree of uncertainty involved with Finance Lease Liabilities. Leases are classified as appropriate at inception and accounted for in line with the applicable accounting standards.	No
PFI Liabilities	PFI Accounting model reflecting changes in RPIx	Accounting model	The Council worked with advisors to construct the initial model that has been used for and audited throughout the life of the scheme's to date	There is a limited degree of uncertainty as the significant values in the contract are fixed. He model uses RPIx to identify changes	No

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REPORT TO :	Audit and Governance Committee
LEAD OFFICER:	Strategic Director of Finance and Resources
DATE:	18th March 2024

PORTFOLIOS AFFECTED:	**All**
WARD/S AFFECTED:	**All**

TITLE OF REPORT: Accounting Policies to be used in the preparation of the Statement of Accounts 2023/24

1. PURPOSE

To allow the Committee to review and consider the proposed Accounting Policies to be used in the preparation of the Council's Statement of Accounts 2023/24.

2. RECOMMENDATIONS

The Committee is recommended to note the use of the Accounting Policies as set out in ***Appendix A*** for the preparation of the Council's Statement of Accounts 2023/24.

3. BACKGROUND

3.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to prepare annually a statement of accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices to be followed in order for the accounts to give a "true and fair" view of the financial position, financial performance and cash flows of a local authority.

3.2 The Council's chief financial officer, as the officer appointed by the Council in discharge of its responsibilities under s151 of the Local Government Act 1972, is responsible for preparation of the Council's Statement of Accounts in accordance with the proper practices set out in the Code. In doing so, the chief financial officer is required to select suitable accounting policies and then apply them consistently. Accounting policies are the specific conventions, rules and practices applied in preparing and presenting the financial statements.

4. KEY ISSUES

4.1. The Accounting Policies to be used in preparing the Council's Statement of Accounts 2023/24 are set out at ***Appendix A***. These policies are unchanged from those applied in the preparation of the 2022/23 Statement of Accounts.

5. POLICY IMPLICATIONS
There are no policy implications arising directly from this report.

6. FINANCIAL IMPLICATIONS
There are no financial implications arising directly from this report.

7. LEGAL IMPLICATIONS
There are no legal implications arising directly from the contents of this report.

8. RESOURCE IMPLICATIONS
There are no other resource implications arising directly from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS
There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS
None arising from the contents of this report.

11. STATEMENT OF COMPLIANCE
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

VERSION:	**0.01**

CONTACT OFFICER:	Simon Ross – Head of Finance (01254 585569)
DATE:	March 2024
BACKGROUND PAPERS:	

Appendix A

Accounting Policies 2023/24

General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2023/24 and its position at the year-end of 31 March 2024. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting concept of going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. As local authorities cannot be created or dissolved without statutory prescription, they must prepare their accounts on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

All accounting policies are disclosed where they are material and reflect the particular circumstances of the Council.

Accruals of income and expenditure

Activity is accounted for in the financial year in which it takes place, not when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Business Improvement Districts

There are two business improvement district (BID) schemes applying to defined areas of Blackburn. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the schemes and does not, therefore, account for the income received from the BID levy in its Comprehensive Income and Expenditure Statement. Any income derived from the Council's role as agent is credited to the Comprehensive Income and Expenditure Statement.

Cash and cash equivalents

Cash consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (i.e. Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of the year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave or time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of three separate pension schemes:

- Teachers' pension scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfES).
- NHS pension scheme - administered by NHS Business Services Authority on behalf of the Department of Health.
- Local government pension scheme (LGPS) – Pension administration services are provided to the Lancashire County Pension Fund by Local Pensions Partnership, with Lancashire County Council as the Administering Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools and Education DSG line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health and Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate.
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

The change in the net pension's liability is analysed into the following components:

Component	Description	Treatment
Service costs		
Current service costs	The increase in liabilities as a result years of service earned this year	Allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
Past service costs	The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years	Debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement - within Non-distributed costs
Net Interest on the net defined benefit liability i.e. interest expense for the Council	The change during the period in the net defined benefit liability that arises from the passage of time. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net	Charged to the *Financing and investment income and expenditure* line of the Comprehensive Income and Expenditure Statement

	defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments	
Re-measurements		
The return on plan assets	The return on plan assets, excluding amounts included in net interest on the net defined benefit liability.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Actuarial gains and losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.	Charged to the Pensions Reserve as other comprehensive income and expenditure
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities	These are not accounted for as an expense in the Comprehensive Income and Expenditure Statement, but are charged to the General Fund under statutory accounting requirements.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payment over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, the Council has taken some market loans subject to “stepped” interest rates, where the initial rates payable were lower than over the rest of the loan. Interest charges for these loans are averaged out over the life of each loan and effective interest rates are used to calculate their amortised cost for the Balance Sheet. As the loans were taken before 9 November 2007, however, there is no impact on the General Fund Balance as reconciling adjustments are made to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves a modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost, and
- Fair value through profit or loss (FVPL),

The Council's business model is to hold investments to collect contractual cash flows, financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely repayment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument.

Financial assets measured at amortised cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value. They are subsequently valued at their amortised cost. Annual credits to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council sometimes makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective interest rate than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on derecognition of an asset are credited or debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. In practice, for trade receivables, unless it is known that a counterparty is at risk of going into administration the calculation is largely based on age of debt and amount of debt overdue.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FYPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

These assets relate to financial instruments where the amounts received relating them are not solely principal and interest (e.g. Money Market Funds or equity investments not designated as a strategic investment).

Fair value measurements of financial assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on derecognition of the asset are credited or debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Fair value measurement of non-financial assets

The Council's policy for fair value measurement of financial assets is set out in the previous section (Financial Instruments). The Council also measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset, or
b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant or contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

The Council's Heritage assets are held by the Council in support of the primary objective of increasing the knowledge, understanding and appreciation of the Borough's history and local area. They include collections of art, books and manuscripts, civic regalia and other artefacts, which are held in Blackburn museum and art gallery, Blackburn town hall, Turton Tower and the Council's libraries. Heritage assets are recognised and measured largely in accordance with the Council's accounting policies on property, plant and equipment although there is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. Heritage assets are recognised in the Balance Sheet at the insurance valuation quoted in the Council's "All risks" policy for the twelve month period commencing the 1 April immediately after the balance sheet date.

The schedule of items held within this category is reviewed each year and adjusted for additions, deletions or impairments (e.g. where an item has suffered physical deterioration, or breakage or where doubts arise as to its authenticity). These assets have an indeterminate life and are subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The museum recognises its responsibility to work within the parameters of the Museum Association Code of Ethics when considering acquisition and disposal. If an item becomes unsuitable for the collections it may be transferred to a more suitable venue, which is likely to be another museum or gallery. There is a process for removing items from a museum's collection which is very controlled and specific. The guiding principal for this is the Disposal Digest put together by the Museums Association and available on their web site.

Heritage assets such as Darwen Jubilee Tower, the War Memorial and various statues have not been recognised in the Balance Sheet as recent information on cost is not available or the cost of obtaining the information outweighs the benefit to the users of the financial statements.

Historic buildings that have been identified as having heritage characteristics are all used by the Council for operational purposes and are accounted for within the Council's Balance Sheet as property, plant and equipment. Examples include Blackburn Town Hall, King George's Hall, Blackburn Museum, Lewis Textile Museum, Corporation Park Conservatory and Turton Tower.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses, and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds over £10,000) the Capital Receipts Reserve.

Inventories and Long-term contracts

The Council's inventories are valued on a variety of bases depending on the nature of the items involved. These bases include cost, average cost and first in first out. The Code requires inventories to be included in the Balance Sheet at the lower of cost and net realisable value. The different treatment of stocks is not considered to be material.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Industrial and commercial properties held by the Council are not considered to be held solely to earn rentals and/or for capital appreciation. Rather, they are held for regeneration, planning reasons and estate management and, therefore, have been classified as property, plant and equipment.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and investment income and expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Arrangements

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

- A Joint Venture – This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.
- A Joint Operation – This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council’s net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement as income to the services responsible for the management and maintenance of the leased property, plant and equipment. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium at the commencement of a lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis of rental income.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts in its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Prior period adjustments, changes in accounting policies and estimates, and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Property, Plant and Equipment other than highways infrastructure assets

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council only capitalises items that exceed the de minimis threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction - historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings and other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

PPE asset	**Depreciation basis**
Operational buildings	straight line allocation over the useful life of the property as estimated by the valuer
Vehicles, plant, furniture and equipment	straight line allocation over 1-20 years, as advised by a suitably qualified officer

The standard approach is that newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use. An exception to this is in respect of vehicles purchased outright when this represents better value for money than leasing. Depreciation is also charged on PFI schemes in the year the asset is recognised on the Balance Sheet, in order to be consistent with the minimum revenue provision (MRP) calculation. In these cases a full year’s depreciation is charged in the initial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Minimum Revenue Provision

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual change to revenue towards the reduction in its overall borrowing requirement, which is calculated on a prudential basis determined in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP). Depreciation, revaluation and impairment losses and amortisations are replaced by the MRP in the earmarked reserves balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves, for the difference between the two.

Disposals and derecognition

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other operating expenditure line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to former housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserve Statement

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 (for England and Scotland), which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by using industry standards where applicable as follows:

Part of the highways network	**Useful life**
Carriageways	25 years
Footways, cycle tracks and public realm	40 years
Structures (bridges, and culverts)	120 years
Street lighting	25 years
Street furniture	Bus shelters 15 years and other assets 40 years
Traffic management systems	20 years
Traffic calming	15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the *Other operating expenditure* line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Provisions, Contingent Liabilities and Contingents Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line of the Comprehensive Income and Expenditure Statement when the Council has obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employment benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. This includes community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. The Code also stipulates that these schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (i.e. the single entity accounts rather than group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The accounting treatment of land and buildings in relation to schools is based on the legal framework underlying each type of school. The Council controls the management and running of community and foundation schools (where the foundation school is subject to a PFI contract), and therefore the land and buildings of those schools are included within property, plant and equipment on the Council's Balance Sheet.

The land and buildings of voluntary aided, voluntary controlled, foundation (not subject to a PFI contract), academy and free schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Council's Balance Sheet.

Capital expenditure on community schools is added to the balances for those schools as reported in the property, plant and equipment note. Capital expenditure on voluntary aided and foundation schools is treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) and written off each year to the Comprehensive Income and Expenditure Statement within School's and Education Services (Non-DSG).

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within taxation and non-specific grant income based on amounts due from the Department for Education.

DSG is allocated between centrally retained Council budget and budgets delegated to individual schools. Expenditure from centrally retained budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under School's and Education Services (DSG). Academies are funded directly from the Government, not via the local authority apart from funding for pupils with high needs. Income and expenditure in relation to academies is therefore not charged to the Comprehensive Income and Expenditure Statement.

Individual schools' balances for local authority maintained schools at the year-end are included in reserves in the Council's Balance Sheet.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

BRIEFING PAPER

REPORT TO :	Audit and Governance Committee
LEAD OFFICER:	Director of Finance
DATE:	18th March 2024

WARD/S AFFECTED: All

TREASURY MANAGEMENT REPORT – 2023/24

Based on monitoring information for the period 1st October 2023 – 31st December 2023

1. PURPOSE

To allow scrutiny of the Treasury Management function.

2. RECOMMENDATIONS

It is recommended that Audit and Governance Committee notes the Treasury Management position for the period.

3. BACKGROUND

3.1 The Treasury Management Strategy for 2023/24, approved at Executive Board in March 2023, complies with the CIPFA Code and with Ministry for Housing Communities and Local Government (MHCLG) Guidance on Investments.

3.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

3.3 CIPFA published a revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments, and there is a change in reporting requirements that requires Treasury Management Prudential Indicators to be reported quarterly.

3.4 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wished. The Council took advantage of the option to defer introducing the revised reporting requirements until the 2023/24 year.

3.5 This report satisfies those requirements and also summarises the interest rate environment for the period and the borrowing and lending transactions undertaken, together with the Council's overall debt position.

3.6 A glossary of Treasury Management terms is appended to this paper.

4. EXTERNAL CONTEXT

4.1. Economic background

4.1.1. UK inflation rates finally started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

4.1.2. Economic growth in the UK remained weak over the period, edging into recessionary territory. In calendar Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend.

4.1.3. July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.

4.1.4. Inflation continued to fall from its peak as annual headline CPI declined to 3.9% (down from 4.6%) in November 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.

4.1.5. The Bank of England's Monetary Policy Committee held Bank Rate at 5.25% throughout the period, although a substantial minority continued to vote for a 25 basis point rate rise. The Bank continues to tighten monetary policy through asset sales, as it reduces the size of its balance sheet. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data showed that higher interest rates were working in the UK, US, and Eurozone.

4.1.6. Following the December MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate. Short term risks are broadly balanced, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

4.1.7. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, it is likely this will reverse at some point and spending will struggle. Higher rates will also impact exposed businesses; according to S&P/CIPS survey data, the UK manufacturing and construction sectors contracted during the quarter. The services sector recovered, however, with the PMI rising strongly in December, possibly due to improving consumer confidence.

4.1.8. The US Federal Reserve held its key interest rate at 5.25-5.50% over the period. While policymakers continued to talk up the risks to inflation and therefore interest rates, this stance ebbed over the quarter culminating in a relatively dovish outcome from the December FOMC meeting.

4.1.9. The European Central Bank continues to resist market policy loosening expectations, but the Eurozone CPI rate has fallen sharply as GDP growth as markedly slowed, hitting 2.4% in November (although rising to 2.9% on energy-related base effects).

4.2. Financial markets

4.2.1. Financial market sentiment and bond yields remained volatile, but the latter rapidly trended downwards towards the end of 2023 on signs of sharply moderating inflation and economic growth.

4.2.2. Gilt yields fell towards the end of the period. The 10-year UK benchmark gilt yield rose from 4.57% to peak at 4.67% in October before dropping to 3.54% by the end of December 2023. The Sterling Overnight Rate (SONIA) averaged 5.19% over the period.

4.3. Credit review

4.3.1. The Council's treasury advisors, Arlingclose, maintained the advised maximum duration limit for all banks on its recommended counterparty list to 35 days over the period.

4.3.2. In October, Moody's revised the outlook on the UK's Aa3 sovereign rating to stable from negative. This led to similar rating actions on entities that include an element of government support in their own credit ratings, including banks and housing associations. Local authorities were, however, downgraded on expectations of lower government funding.

4.3.3. Following the issue of a Section 114 notice, in November Arlingclose advised against undertaking new lending to Nottingham City Council. After reducing its recommended duration on Warrington Borough Council to a maximum of 100 days in September, the local authority was subsequently suspended from the Arlingclose recommended list following a credit rating downgrade by Moody's to Baa1.

4.3.4. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress, but no changes were made to recommended durations over the period.

4.3.5. Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

5. KEY ISSUES

5.1. Investments Made and Interest Earned

5.1.1. The graph in Appendix 1 shows the weekly movement in the totals available for investment, both actuals to date and projections for the rest of the year (adjusted for anticipated borrowing where applicable). These balances have been fairly stable across the period, ranging between £79M and £106M. Investment balances continued to be unusually high during this period, largely due to funds received from central government and grants received in advance of spend being incurred, including Darwen Town Deal funding of £12.264M and Levelling Up funding of £10.530M. It is intended that investment balances will ultimately reduce in future to between £10M and £20M.

5.1.2. Investments made in the period were mainly in "liquid" (instant access) deposits, either bank "call accounts" or Money Market Funds (MMFs). Returns on MMF holdings remained high over the period, following the Bank Rate increases, averaging around 5.26% throughout the period. Bank deposit account rates have also increased during the period, paying 5.14% by the end of September.

5.1.3. For limited periods, funds were also placed with the Government's Debt Management Account Deposit Facility (at 5.17% – 5.19%). The other fixed term investments made were:

Start Date	End Date	Counterparty	Amount £	Rate
26-Oct-23	26-Apr-24	Blaenau Gwent	5,000,000	5.50%
02-Nov-23	02-May-24	Reading Borough Council	5,000,000	5.55%
31-Oct-23	30-Apr-24	Bracknell Forest Borough Council	5,000,000	5.60%
28-Nov-23	28-May-24	Gloucester City Council	3,900,000	5.60%
30-Nov-23	30-May-24	London Borough of Hillingdon	5,000,000	5.60%
30-Nov-23	30-Aug-24	Eastleigh Borough Council	5,000,000	5.60%
19-Dec-23	19-Jun-24	Surrey County Council	5,000,000	5.60%

5.1.4. At 31st December, the Council had approximately £82.9M invested, compared to £89.9M at the start of the period. Appendix 2 shows the breakdown of the closing investment balance. The Council's investment return over the period was approximately 5.26%. For comparison, as mentioned above, the Sterling Over Night Rate (SONIA) increased over the period, averaging 5.19%.

5.2. Borrowing Rates

5.2.1. The cost of long-term borrowing through the PWLB (Public Works Loan Board) is linked to central government's own borrowing costs.

5.2.2. The cost of short-term borrowing, based on loans from other councils, has remained relatively static during the period, mirroring the Bank Rate. Interest rates on loans from 3 months out to a year were priced at rates between 5.50% to 5.80% by the end of the period.

5.2.3. Due to the high level of cash balances, the Council has not been required to use short-term borrowing during the period. Should the need arise we will review the options available.

5.3. Current Debt Outstanding

	30th September 2023 £'000	30th September 2023 £'000	31st December 2023 £'000	31st December 2023 £'000
TEMPORARY DEBT				
Less than 3 months	0		0	
Greater than 3 months (full duration)	0		0	
		0		0
LONGER TERM DEBT				
Bonds	18,000		13,000	
PWLB	118,206		118,206	
Stock & Other Minor Loans	22		22	
		136,228		131,228
Lancashire Council County – Transferred Debt		12,224		12,088
Recognition of Debt re PFI Arrangements		56,356		55,770
TOTAL DEBT		**204,808**		**199,086**
LESS: TEMPORARY LENDING				
Fixed Term		(65,000)		(68,900)
Instant Access		(24,867)		(14,017)
NET DEBT		**114,941**		**116,169**

5.3.1. The key elements of long term borrowing set out above are:

(a) £15M classed as bonds, borrowed from the money markets, largely in the form of "LOBO" (Lender Option, Borrower Option) debt.

- Under a LOBO arrangement, the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.
- During the current quarter, Dexia Credit Local exercised the option to increase the interest rate on a £5m LOBO from 4.35% to 4.96%. Following a review of the financial implications, and supported by advice from Arlingclose, the Council subsequently exercised the option to repay the loan on the 5th December 2023.
- The individual loans remaining range from 4.44% to 4.75%, at an average of around 4.53%.

(b) £118.2M borrowed from the PWLB at fixed rates, at an overall average rate of around 3.87%. Loans repayable on maturity range from 3.06% to 7.875%, and EIP (Equal Instalment of Principal) loans from 1.73% to 3.35%.

(c) Debt managed by Lancashire County Council after Local Government Reorganisation, which is repaid in quarterly instalments across the year, charged provisionally at 4.00%.

(d) Debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing into use school buildings financed through Public Finance Initiative (PFI) arrangements. The Council's effective control over, and use of these assets is thereby shown "on balance sheet", with corresponding adjustments to the debt. This does not add to the costs faced by the Council Tax Payer as these payments made to the PFI contractor are largely offset by PFI grant funding from the Government.

5.4. Capital Financing Requirement

5.4.1. The Council's CFR (Capital Financing Requirement) is the key measure of the Council's borrowing **need** in the long term. It is

(a) the accumulated need to borrow **to finance capital spend** (not funded from grants, etc.)
less
(b) the accumulated Minimum Revenue Provision (MRP) charges already made - councils must make a prudent MRP charge in their accounts each year, to finance their debt -
less
(c) any capital receipts applied to finance outstanding debt.

and therefore tends to increase if capital spend financed from borrowing exceeds MRP.

5.4.2. The Council's actual long-term debt is significantly below the CFR – the gap has widened as long-term debt has been repaid. We have been using "internal borrowing" from available revenue cash balances to partly cover this gap which, despite the foregone investment income, has resulted in net interest savings. The position is summarised in the table below.

	2022/23 Actual £M	**31 Mar 2024 Forecast £M**
General Fund CFR	281.2	283.6
Less: CFR re Debt -		
Managed by Lancashire County Council (LCC)	(14.8)	(14.5)
Re Private Finance Initiative (PFI) Arrangements	(68.9)	(68.7)
Loans/Borrowing CFR	**197.5**	**200.4**
Less: Usable Reserves and Working Capital	(110.3)	(135.6)
Net Borrowing (excludes LCC and PFI debt)	**87.2**	**64.8**

5.4.3. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

5.4.4. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. These changes align the CIPFA Prudential Code with the PWLB lending rules.

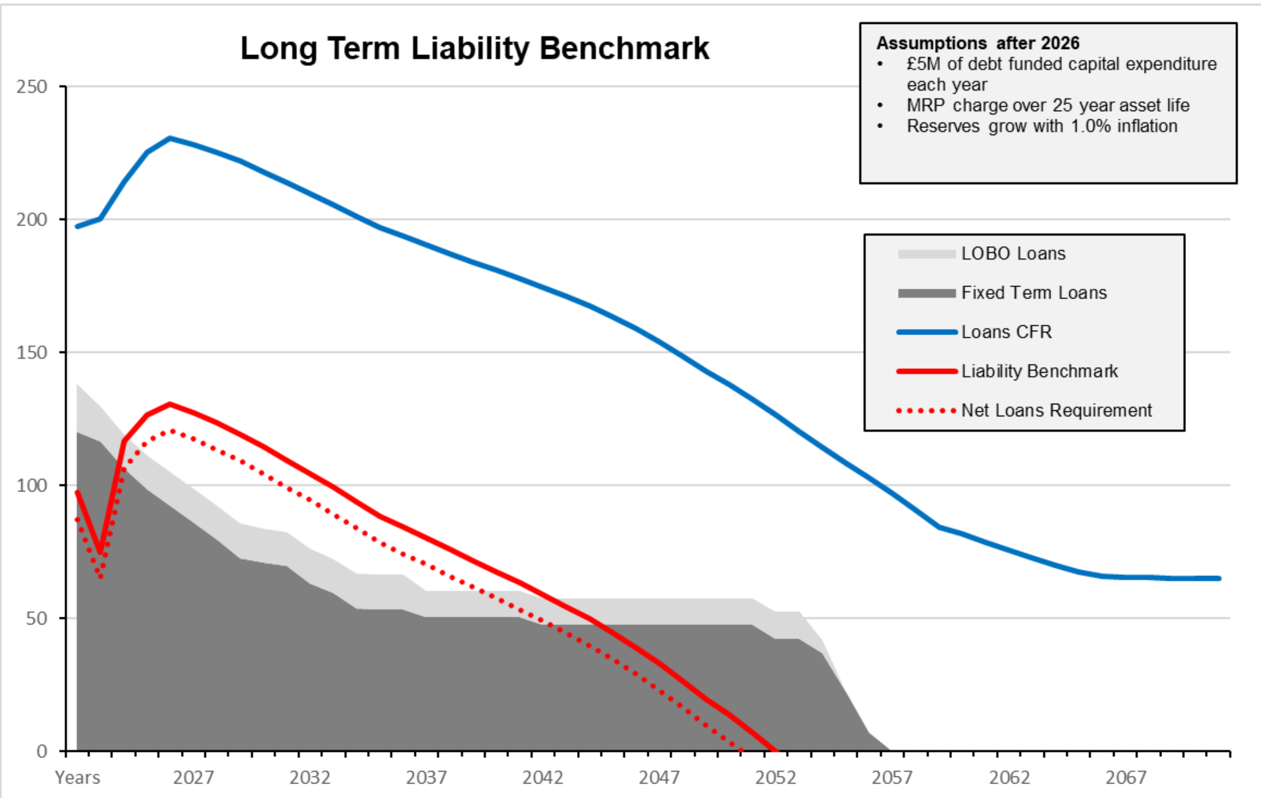
5.4.5. The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority, and has no plans to do so in future.

5.5. Liability Benchmark

5.5.1. The liability benchmark compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision-making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

	31.3.23 Actual	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	197.5	200.4	214.1	225.2
Less: Balance sheet resources	(110.3)	(135.6)	(107.6)	(108.7)
Net loans requirement	87.2	64.8	106.5	116.5
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**97.2**	**74.8**	**116.5**	**126.5**
Existing borrowing	**138.0**	**129.6**	**119.4**	**111.2**

5.5.2. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £5m a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, and expenditure and reserves all increasing by inflation of 1% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



5.6. Performance against Prudential and Treasury Indicators

5.6.1. Appendix 3 shows the current position against the Treasury and Prudential Indicators set by the Council for the current year.

5.6.2. With regard to the movement in the key indicator, Total Borrowing against the Authorised Borrowing Limit, this is shown as the first graph in Appendix 4. Total borrowing at 31st December 2023 was £199.1M, which is below both our Operational Boundary (£301.8M) and our Authorised Borrowing Limit (£311.8M) for 2023/24.

5.6.3. During the period we have remained within both our Operational Boundary – which is set for management guidance – and the (higher) Authorised Borrowing Limit. The Authorised Limit is the key Prudential Indicator – any borrowing cannot be taken if this Limit is (or would be caused to be) breached.

5.6.4. This total debt includes the impact on the balance sheet of the recognition of assets that have been financed through PFI. The accounting adjustments are designed to show our effective long-term control over the assets concerned, and the "indebtedness" arising from financing the cost of them. They do not add to the "bottom line" cost met by the Council Tax Payer.

5.6.5. While the Council currently has no short-term borrowings, it may in the future hold part of its debt portfolio in loans of less than a year's duration, as short-term loans can still represent a relatively cheap way to fund marginal changes in the Council's debt requirements. This remains under review, with regular updates from the Council's treasury management advisors, Arlingclose.

Interest Risk Exposures

5.6.6. Our **Variable Interest Rate Exposure** (see second graph at Appendix 4) ended the period at -£74.9M, against the **limit** set for this year of £92.8M.

5.6.7. This indicator exists to ensure that the Council does not become over-exposed to changes in interest rates impacting adversely on its revenue budget. The limit is set to allow for short as well as long term borrowing, and takes:
(a) all variable elements of borrowing (including short term borrowing – up to 364 days – and any LOBO debt at risk of being called in the year), which is then offset by
(b) any lending (up to 364 days).

5.6.8. The Variable Interest Rate Exposure is negative (£-74.9M) as our variable rate lending is currently higher than our variable rate borrowing.

5.6.9. Our **Fixed Interest Rate Exposure** was around £123.2M, against the **limit** of £212.1M. This indicator effectively mirrors the previous indicator, tracking the Council's position in terms of how much of the debt will not vary as interest rates move. The historically low interest rates prevailing over recent decades led the Council to hold a large part of its debt in this way.

5.6.10. This limit was set to allow for the possibility of much higher levels of new long-term, fixed rate borrowing.

Other Indicators

5.6.11. Forecast Capital Expenditure is detailed in the Quarterly Corporate Capital Budget and Balance Sheet Monitoring Report to Executive Board, which is also on the agenda for this meeting, and includes an analysis of all movements since the Capital Programme was approved by Finance Council on 27th February 2023.

5.6.12. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue. The net annual charge is known as the Financing Cost; within the Prudential Indicators, this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

5.6.13. A new indicator was added to the Prudential Code for 2023/24, which compares net income from commercial and service investments to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

6. POLICY IMPLICATIONS

None

7. FINANCIAL IMPLICATIONS

The financial implications arising from Treasury Management activities are reflected in the Council's overall Budget Strategy, and in ongoing budget monitoring throughout the year.

8. LEGAL IMPLICATIONS

The report is in accordance with the CIPFA code and therefore is in accordance with the Financial Procedure Rules under the Council's Constitution.

9. RESOURCE IMPLICATIONS

None

10. CONSULTATIONS

None

11. STATEMENT OF COMPLIANCE

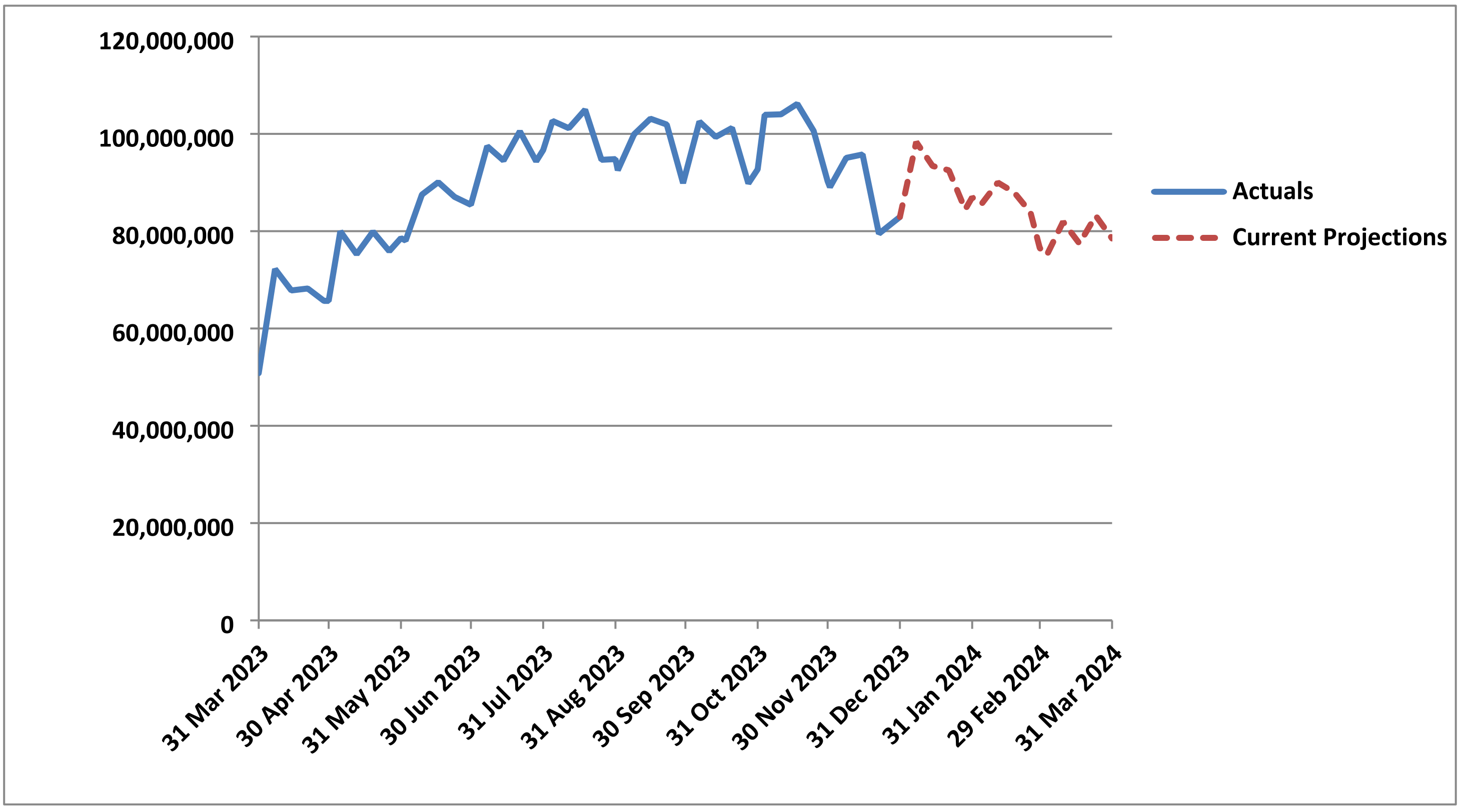
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

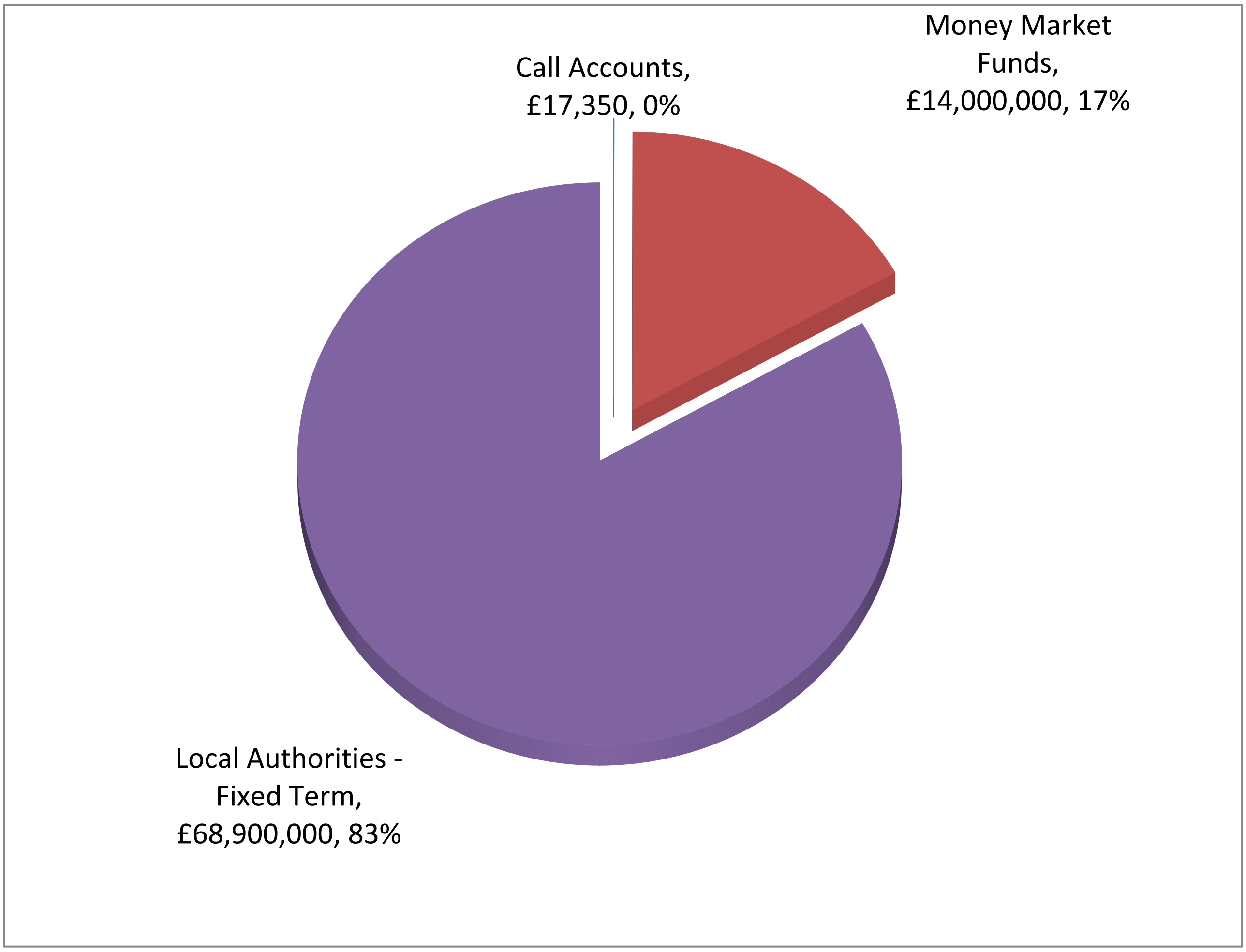
VERSION:	**0.01**

CONTACT OFFICER:	Jenny Bradley – Senior Finance Manager – extn 267680

	Simon Ross – Head of Finance – extn 585569
	February 2024
BACKGROUND PAPERS:	CIPFA Guidance - CLG Investment Guidance - Council Prudential Indicators for 2023/24 approved by Council 27th February 2023 - Council Treasury Management Strategy for 2023/24 approved by Executive Board 9th March 2023

2023/24 (April 2023 to December 2023)




Call Accounts,
£17,350, 0%
Money Market
Funds,
£14,000,000, 17%
Local Authorities -
Fixed Term,
£68,900,000, 83%

Performance against Treasury & Prudential Indicators 2023/24 (approved by Council 27th February 2023 / Executive Board 9th March 2023) **Appendix 3**

<table>
<tr><th></th><th>Indicator 2023/24</th><th>As Approved Mar 23</th><th>Current Monitoring</th><th>Commentary</th></tr>
<tr><td></td><td>Estimated Capital Expenditure</td><td>£42.3M</td><td>£41.2M</td><td>Current monitoring includes slippage from 2022/23, new schemes approved in the first three quarters of the year and slippage into 2024/25, as detailed in the Corporate Capital Budget and Balance Sheet Monitoring Report.</td></tr>
<tr><td></td><td>Estimated Total Capital Financing Requirement at End of Year</td><td>£291.8M
(incl projections re LCC debt £14.5M, PFI debt £68.7M)</td><td>£283.6M
(incl projections re LCC debt £14.5M, PFI debt £68.7M)</td><td></td></tr>
<tr><td></td><td>Estimated Ratio of Financing Costs to Net Revenue Stream</td><td>10.6%</td><td>7.8%</td><td></td></tr>
<tr><td></td><td>Proportion of Net income from Commercial and Service Investments to Net Revenue Stream</td><td>0.3%</td><td>1.0%</td><td></td></tr>
<tr><td></td><td>Outturn External Debt Prudential Indicators</td><td><table><tr><td>LCC Debt</td><td>14.8M</td></tr><tr><td>PFI Elements (no lease)</td><td>68.9M</td></tr><tr><td>Remaining Elements</td><td>218.1M</td></tr><tr><td>Operational Boundary</td><td>301.8M</td></tr><tr><td>Authorised Borrowing Limit</td><td>311.8M</td></tr></table></td><td><table><tr><td>Borrowing to Date</td><td>£M</td></tr><tr><td>LCC Debt</td><td>12.1</td></tr><tr><td>PFI Elements</td><td>55.8</td></tr><tr><td>BwD</td><td>131.2</td></tr><tr><td>Total</td><td>199.1</td></tr></table></td><td>Operational boundary and authorised borrowing limit have not been breached during the year.</td></tr>
<tr><td></td><td>Variable Interest Rate Exposure</td><td>£92.8M</td><td>Exposure to Date -£74.9M</td><td>Limit not breached during the year.</td></tr>
<tr><td></td><td>Fixed Interest Rate Exposure</td><td>£212.1M</td><td>Exposure to Date £123.2M</td><td>Limit not breached during the year.</td></tr>
</table>

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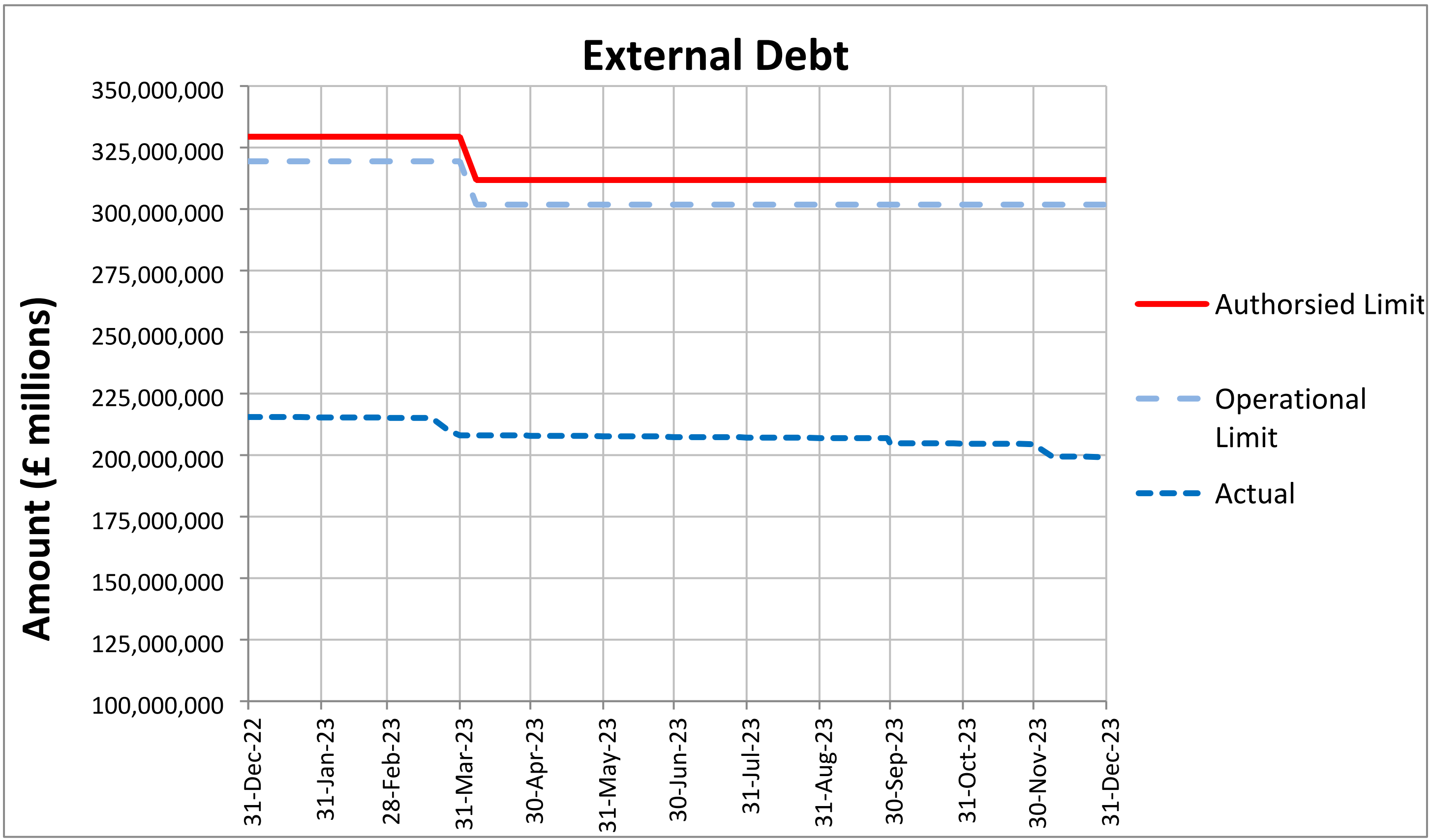
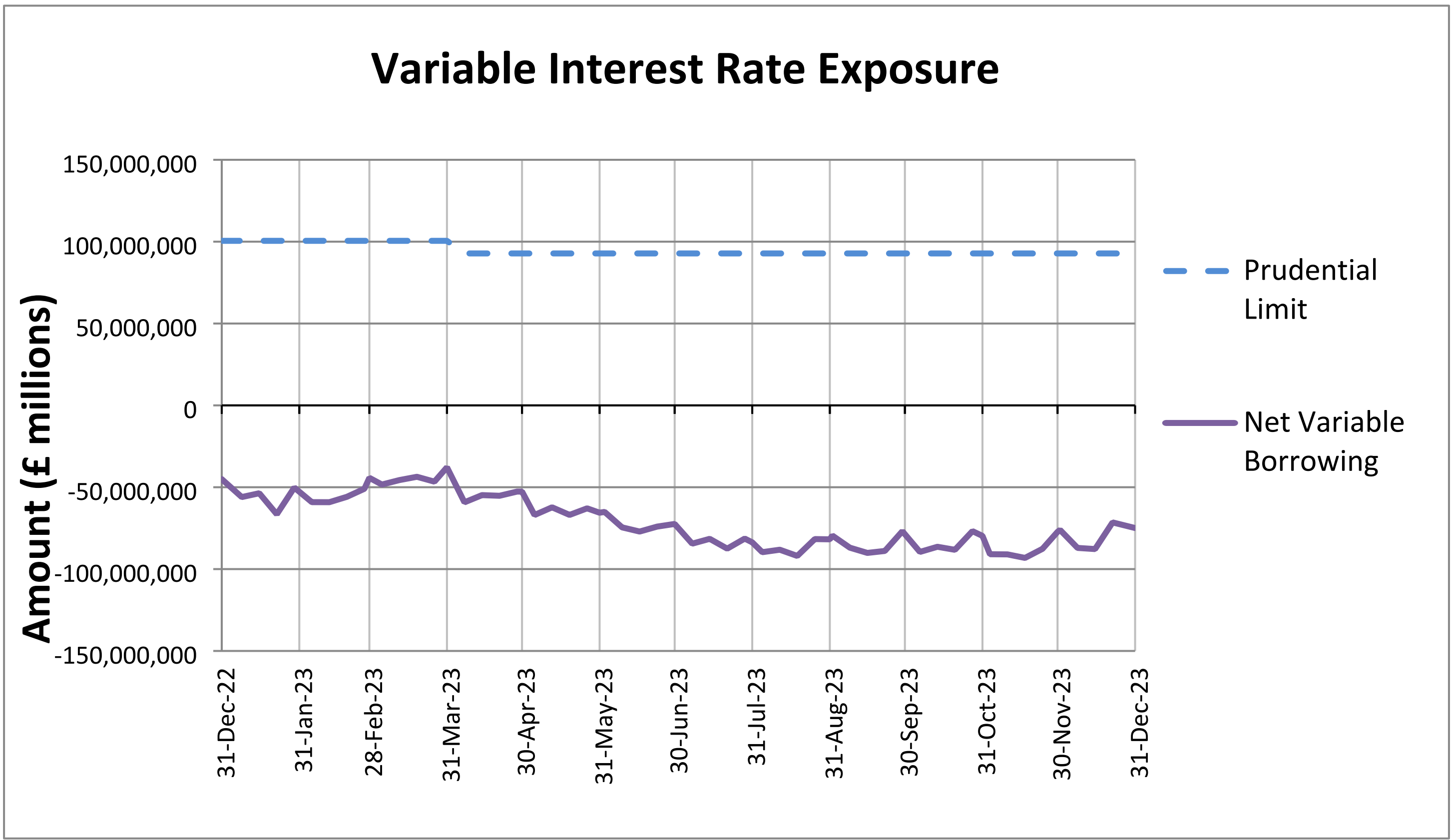
<table>
<tr>
<td></td>
<td>Prudential Limits for Maturity Structure of Borrowing</td>
<td>
<table>
<tr><th>Lower Limit</th><th>Upper Limit</th><th>Period (Years)</th></tr>
<tr><td>0%</td><td>50%</td><td><1</td></tr>
<tr><td>0%</td><td>30%</td><td>1-2</td></tr>
<tr><td>0%</td><td>30%</td><td>2-5</td></tr>
<tr><td>0%</td><td>30%</td><td>5-10</td></tr>
<tr><td>20%</td><td>95%</td><td>>10</td></tr>
</table>
</td>
<td>
<table>
<tr><th colspan="3">Actual Maturity Structure to Date</th></tr>
<tr><th>Period (Years)</th><th>£M</th><th>%</th></tr>
<tr><td><1</td><td>16.2</td><td>12%</td></tr>
<tr><td>1-2</td><td>10.2</td><td>8%</td></tr>
<tr><td>2-5</td><td>19.5</td><td>15%</td></tr>
<tr><td>5-10</td><td>17.7</td><td>13%</td></tr>
<tr><td>>10</td><td>67.6</td><td>52%</td></tr>
<tr><td>Total</td><td>131.2</td><td>100%</td></tr>
</table>
</td>
<td>No limits breached during the year.</td>
</tr>
<tr>
<td></td>
<td>Total Investments for Longer than 364 Days</td>
<td>£7M</td>
<td>No Long-Term Investments Made</td>
<td></td>
</tr>
</table>

Movements in Prudential Indicators – Total Debt and Variable Interest Exposure
Year to 30th December 2023





Investment Rates

The interest rates for durations of less than a year are represented by LIBID (London Interbank Bid Rate), a reference rate measuring levels at which major banks are prepared to borrow from one another. This is a potential benchmark for the return on the Council’s investments, though the rates actually available are constrained by the Council’s investment criteria and largely short-term investment horizon, designed to ensure cash is available when required.

Borrowing Rates

To indicate the potential costs of borrowing to fund the Council’s capital programme, the reference point is Public Works Loans Board (PWLB) borrowing rates. The benchmark used is for “Certainty Rate” borrowing of “Maturity” Loans (loans of fixed lump sums, at fixed rates, over periods from 1 to 50 years).

The PWLB is the statutory body which lends to public bodies from Government resources – the Government has declared that it will be abolished at some point in the future, but that the facility for lending at good value will be continued - no date has been proposed for the change.

PWLB Loans - Fixed rate loans are repayable by one of three methods:

(a) **Maturity**: half-yearly payments of interest only, with a single repayment of principal at the end of the term.

(b) **Annuity**: fixed half-yearly payments to include principal and interest or

(c) **EIP (Equal Instalments of Principal)**: equal half-yearly instalments of principal together with interest on the balance outstanding at the time.

Certainty Rates - a discount - currently 0.20% - is available on new PWLB borrowing to local authorities completing an information request on borrowing intentions to Central Government.

Current PWLB rates have no impact so long as no new longer-term borrowing is taken, as all the Council's existing long term debt is at fixed rates.

LOBO - LOBO stands for Lender Option, Borrower Option. It means that the lender can increase the interest rate, which gives the borrower the option to repay the loan in full without penalty fees. Public bodies used to be only able to borrow money through government Public Works Loan Board (PWLB) loans, however borrowing from banks in the form of LOBOs was permitted from the early 2000s. LOBOs were made available with low rates (cheaper than then available PWLB rates) so they appeared to be an attractive alternative.

LOBOs have provoked criticism because of high initial profits to the lender from day one, and high subsequent interest rates. It is difficult to exit LOBO loans early unless the lender is in agreement, so they are less flexible, and there is a risk that if/when they are "called", the borrower may find itself having to refinance debt at high rates.

This Council always limited the scale of LOBO borrowing taken, so that it formed part of an overall balanced debt portfolio, while bringing the advantage of initial lower rates.

PFI - The private finance initiative is a way of creating "public–private partnerships" (PPPs) by funding public infrastructure projects with private capital.

BSF - Building Schools for the Future (BSF) was the name given to Central Government's investment programme in secondary school buildings in England in the 2000s. In Blackburn with Darwen, the schools funded through this scheme are Witton Park High School, Blackburn Central High School and Pleckgate High School.

Prudential Indicators

Prudential Indicators are established mainly to allow members to be informed of the impact of capital investment decisions and to establish that the proposals are affordable, prudent and sustainable. In addressing the debt taken on by the Council, the indicators also deal with treasury issues, in particular the absolute level of debt being taken on (through the Authorised and Operational Borrowing Limits).

It should be noted that a "breach" of a prudential indicator is not necessarily a problem for the Council. Some indicators are more crucial that others, particularly in terms of their impact. If we spend more on the capital programme in total, that is not necessarily a problem if it has no adverse revenue consequences, for instance. Similarly, if we breach the indicator relating to variable interest rate exposure, this can just point to the balance of different types of debt taken up (between at fixed or variable interest rates) being significantly different from that anticipated when the indictor was set.

On the other hand, the Council's ability to borrow from the PWLB is constrained by needing to remain within the Authorised Borrowing Limit the Council has set for itself. If it became necessary to re-shape the Council's overall capital spending and borrowing strategy to the extent that the original Authorised Borrowing Limits were at risk of being breached, it would be necessary to obtain authority from full Council to change the borrowing limits.

Money Market Fund

A Money Market Fund is a type of fund investing in a diversified portfolio of short-term, high-quality debt instruments - provides benefit of pooled investment - assets are actively managed with very specific guidelines to offer safety of principal, liquidity and competitive returns - such funds “ring-fenced”, kept fully separate from the remainder of funds managed by the investment house running the fund.

Council only uses highly rated funds - **policy** is to limit to those with long-term credit ratings no lower than A-, but current **practice** is to only use AAA rated with daily access (like instant access bank accounts).

TO:	Audit & Governance Committee
FROM:	Head of Audit & Assurance
DATE:	18 March 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 31 January 2024

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 November 2023 to 31 January 2024.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 January 2024 against the annual Audit & Assurance Plan 2023/24, as approved by the Committee on 2 March 2023.

3. BACKGROUND

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues identified by the internal audit team during the year.

The work completed to date has not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time. However, the Committee should consider the information provided in the following sections regarding the work carried out during the period and the summary of issues in respect of the limited assurance audit noted.

4. RATIONALE

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- an objective and independent opinion can be provided at the year-end which meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and

- support is provided to Members, Directors and managers for their particular areas of responsibility throughout the year.

5. KEY ISSUES

Outcomes achieved in the year to 31 January 2024:

Counter Fraud Activity

National Fraud Initiative (NFI) 2022/23

The Council takes part in a bi-annual data matching exercise conducted by the Cabinet Office (CO) to assist in the prevention and detection of fraud. The exercise includes data provided by public and private sector organisations, including government departments. The Council has started to receive the output for consideration and follow up.

In total, 6,680 data matches have been received to date. These include queries in the following areas:

	Matches	Processed	Errors	Outcome	CO Estimates **	Total Saving
Housing Benefit	54	36	2	852.42	4,445.81	5,298.23
Council Tax Reduction	712	92	6	587.62	1,119.69	1,707.31
Payroll	204	36	-	-	-	-
Blue Badge PP's*	195	125	51	-	33,150.00	33,150.00
Concessionary Travel Passes*	1,158	1,158	265	-	8,215.00	8,215.00
Residential Permits	12	12	2	-	-	-
Creditors	4,072	-	-	-	-	-
Procurement	75	21	-	-	-	-
Waiting Lists	198	6	-	-	-	-
	6,680	1,486	326	1,440.04	46,930.50	48,370.54

The above table sets out the areas of activity and the results that have been identified. To date 1486 matches have been processed and 326 errors have been identified resulting in total savings of £48,370.54. Arrangements are in place to recover any losses.

Blue Badges and Concessionary Travel Passes (Now Card)

*Weekly Death Notifications are received from ‘Tell Us Once’, Registrars Service and Adults social care service. Each death is checked to see whether the individual holds either a Blue Badge or a NOW card. If they do, the badge will be de-registered. However, the above sources are not finite and the service is reliant on relatives to notify a death.

The high error rate is attributed to unknown deaths where the pass remains valid. Estimated savings** from preventing future incorrect payments are calculated by the Cabinet Office. The value attached to the Blue Badges Parking Permits and the Concessionary Travel Passes (CTP) has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £650 for Blue Cadges and £31 for CTP’s per case. These permits have either been recovered and destroyed or are in the process of being recovered.

Creditors

During 2022 the Council commissioned a creditor recovery audit. Meridian undertook a purchase ledger review comparing the ledger transactions of both the Council and suppliers to identify anomalies. The audit compared the Council's ledger transactions with supplier records looking for:

- Duplicated transactions and error payments;
- Credit notes and misallocations where the Council have not achieved value from suppliers;
- Under-recovered VAT; and
- Debt balances.

The exercise resulted in the recovery of £306,997 for the Council. This was an alternative to Council staff following up the NFI data matches. Further work will be carried out to review the data matches not covered by the recovery audit.

Council Tax Matching

The Council has also received additional reports from the CO for Council Tax data matches for further review. The reports were generated after council tax records were matched with various data sets including the electoral register and HMRC records. To date, the 128 matches have been processed which has identified 33 errors.

	Matches	Processed	Errors	Outcome	CO Estimates*	Total Saving
C'Tax to Electoral Register	2,299	110	23	15,328.12	18,110.44	33,438.56
C'Tax rising 18's	18	18	10	2,621.23	4,826.12	7,447.35
C'Tax to Other Datasets	2,963	-	-	-	-	-
C'Tax to DDRI Deceased Persons	529	-	-	-	-	-
Premium C'Tax SPD	21,778	-	-	-	-	-
C'Tax to HMRC Household Composition	3,118	-	-	-	-	-
	30,705	128	33	17,949.35	22,936.56	40,885.91

The Revenue and Benefit department have advised that minimal work has been done on the 2022/23 matches, due to electoral registration information submitted for matching being out of date in comparison to council tax records.

Previous NFI matching exercises have shown that nearly half of the cases reported relate to previous or deceased occupants, a further 20% are cases that the department have already investigated, with evidence to substantiate the discount or a disregard was in place and an additional 5% being where there is a slight spelling difference of the name, but it is the same person.

This approach is a very labour intensive and has historically resulted in only 4% of discounts being removed.

A decision was therefore made to opt for the Premium matching service this year, as the team believe this will enable them to focus on those cases which should not be entitled to the discount. Work will commence on the Premium match from April 2024.

Appropriate action will be taken to review the remaining data matches, by colleagues in relevant departments. However, there is no expectation from the Cabinet Office that all the matches are followed up.

Committee Members will be provided with further progress updates in due course.

Other Investigations

Audit & Assurance staff have carried out a review into of the tendering arrangements for the procurement of a third-party provider to deliver a Children's Social Care. Service. This was in response to allegations of corruption and collusion in the award of the contract. We found no evidence to support the allegations made. The procurement process followed was adequately controlled. There was evidence that the Council's Contract and Procurement Procedure Rules had been complied with.

Audit staff also carried out a review of records relating to the use of Government grant to support a related disciplinary process following concerns raised by management. The results of the review were provided to the officer carrying out the staff disciplinary investigation and recommendations were made to management to strengthen the control framework in place.

Audit & Assurance staff have also provided advice and support to a school which was the subject of a cheque fraud. The details were reported to Action Fraud and the school's bank subsequently refunded the amount of the fraudulent cheque in full.

<u>Internal Audit</u>

A summary of the nine audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Use of Household Support Fund Grant	N/A	N/A	4
Multiply Grant	Substantial	Substantial	0
Planning Obligations – Management of Section 106 Agreements	Substantial	Substantial	1
Equality Act Data Recording and Reporting	Adequate	Adequate	6
Audley Junior School	Adequate	Adequate	14
Lammack Primary School	Adequate	Adequate	20
St Mary & St Joseph RC Primary School	Substantial	Substantial	8
Intack Primary School	Limited	Limited	26
Bus Recovery Grant	Limited	Limited	2

A brief commentary on the audit assignments we provided a limited assurance opinion for are set out below for consideration. These opinions are not deemed to have a significant impact on the overall control environment in place within the Council.

Intack Primary School - The final report provided a **limited assurance** opinion in respect of both the control environment in place within the school and compliance with the controls identified in respect of the eleven areas covered during the visit. We made 26 recommendations across these areas, including 13 graded as 'must'**.** These recommendations relate to strengthening the existing control framework in place across the areas covered by the audit and ensuring compliance with those controls identified to ensure that they are operating effectively, particularly in respect of expenditure controls and recording and checking of school assets.

Bus Recovery Grant - The final report provided **limited** assurance opinions in respect of the control environment and compliance with the controls and procedures in place regarding the arrangements to manage the Bus Recovery Grant funding received in 2022 and 2023. The audit identified that there was no clear record of management oversight of the expenditure relating to this grant.

During the period, Audit & Assurance staff also completed work to support the certification of the Family Hubs and Start for Life Programme P2 Capital Grant and Bus Recovery Grants. The results of the work confirmed that, in our opinion, the conditions attached to these grant determinations had been complied with in all significant respects.

Current internal audit reviews

In addition to the above completed audits, the following reviews are ongoing:

- Sundry Debtors;
- Adults Contracts & Commissioning;
- CCTV Arrangements - Compliance with Surveillance Camera Code of Practice;
- Finance System Reconciliations;
- Children's Services Inspection Readiness;
- Local Authority Improvement Plan;
- Departmental Governance;
- Highways Maintenance – Inspection and Repair;
- Inspections of Homes of Multiple Occupancy;
- Albion Mill;
- Mileage & Expenses;
- Payroll;
- Use of Purchase Cards;
- VAT Follow-up.

<u>Internal Audit Performance</u>

The Audit & Assurance team have seven performance targets, which we monitor relating to our strategic aims. The target and actual performance for the current and previous periods for each measure are as follows:

Performance Measure	**Target**	**Q3 2023/24**	**Q2 2023/24**
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A

2. Planned Audits Completed Within Budget	90%	**67%**	**50%**
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	93%	90**%**
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	100%	100%

We have provided a brief commentary on the measure where performance in the period has fallen below the agreed target:

2. Planned Audit Completed Within Budget

Three of the nine audits completed during the period required additional time due to the following:

- additional time for planning and preparation for audits of new areas not previously reviewed, including research and familiarisation with the systems, and additional testing requested by the department to extend the coverage of a review to provide additional feedback for management as part of the work carried out.

6. POLICY IMPLICATIONS

The delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising as a result of this report.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. STATEMENT OF COMPLIANCE

The recommendations in this report are made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. CONSULTATIONS

Directors

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326
Date: 8 March 2024
Background Papers: Audit & Assurance Plan 2023/24, approved by the Audit & Governance Committee on 2 March 2023.

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**18 March 2024**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT **Audit & Assurance Plan 2024/25 and Internal Audit Charter**

1. PURPOSE

To inform Members of the planned Audit & Assurance work for the forthcoming year.

2. RECOMMENDATIONS

The Committee is asked to:

- approve the Internal Audit Strategy, 2024/25 draft Annual Audit & Assurance Plan and draft three year Strategic Audit Plan (as set out in Appendices 1,2 and 3);
- approve the Internal Audit Charter (as set out in Appendix 4)
- note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting; and
- note that Plan changes will be reported during the year.

3. BACKGROUND

Under the Accounts and Audit Regulations 2015 the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the requirements of the Public Sector Internal Audit Standards (PSIASs)". The PSIASs require the Head of Audit & Assurance to develop a risk based audit plan taking into account the requirement to produce an annual internal audit opinion. The plan must explain how internal audit's resource requirements have been assessed.

The PSIAS also require an internal audit charter to be in place. The charter should set out the purpose, authority and responsibility of internal audit. They require the Head of Audit & Assurance to review the charter periodically. However the final approval resides with the Audit & Governance Committee. The Charter has been reviewed and no changes have been identified as being required since the Charter was last approved in March 2023.

4. RATIONALE

The Plan and Charter define the scope and the rationale of the approach being followed by internal audit. They allow Audit & Assurance, independently, to provide assurance to managers, the Chief Executive, the Strategic Director , Finance & Resources (the Council's Section 151 Officer) and other stakeholders about the effectiveness of controls and the management of risk. They also enable Audit and Assurance to assist this Committee with its responsibility to oversee the effectiveness of governance and risk management arrangements in the Council and in its partnerships through the reporting arrangements in place.

5. KEY ISSUES

The Plan:

The Plan defines the scope and reasoning behind the approach being adopted. Overall, the objectives are:

- to fulfil Audit & Assurance's own statutory obligations;
- to provide assurance, support and advice to Directors on matters under their control;
- to support the Section 151 Officer's statutory obligations to maintain an adequate and effective audit of the Council's accounting records and its systems of internal control;
- to assist the Audit & Governance Committee in gaining independent assurance on the Council's risk management, governance and control arrangements;
- to report compliance with the PSIAS; and
- to contribute to the development of corporate standards as part of the Finance & Resources Directorate.

As in previous years the Plan is risk-based and the audit methodology is risk-based auditing.

Consultations:

The 2024/25 Plan is Year One of the Three Year Strategic Audit Plan included at Appendix 3 to this report. It is also the product of a review of the strategic and departmental risk registers, Director Management Accountability Framework (MAF) Dashboard Returns and consultation meetings with each Director undertaken in January and February 2024.

Later in 2024/25 further consultations will be held with Directors to ensure that the Plan continues to meet the stated objectives. Any significant changes to reflect new developments, changes to priorities and/or resources will be reported to this Committee.

Ongoing consultations will take place with Strategic Directors, Directors and Heads of Service during 2024/25. This will ensure that specific Terms of Reference are prepared for each planned review that accurately reflect the detailed key risks and audit objectives relevant to each area.

Resources:

The audit resources currently available are considered sufficient to deliver an effective Audit Plan. The planned resources for the internal audit function for this year are 786 work-days. In addition, there are 274 work-days for Risk

Management (51 days), Counter Fraud (39 days), Insurance and Financial Support/Other (184 days).

Internal Audit Charter:
The Internal Audit Charter is requirement of the PSIAS, which became mandatory from 1 April 2013. The Charter was last re-approved at the Audit & Governance Committee meeting in March 2023. The Charter has been reviewed and no changes were deemed necessary for 2024/25.

6. POLICY IMPLICATIONS
This report begins the process that leads to the Annual Governance Statement for the new financial year. This process assesses the effectiveness of the Council's own management of its policy objectives.

7. FINANCIAL IMPLICATIONS
There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS
There are no legal implications arising as a result of this report.

9. RESOURCE IMPLICATIONS
There are no additional resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS
There are no equality or health implications arising as a result of this report.

11. CONSULTATIONS
Corporate Leadership Team

Contact Officer:	Colin Ferguson, Head of Audit & Assurance - Ext: 5326
Date:	8 March 2024
Background Papers:	Audit & Assurance Planning papers; Risk Registers; 2023/24 Audit & Assurance Plan, Strategic Statement and Internal Audit Charter.

Appendix 1

Internal Audit Strategy Supporting the 2024/25 Audit & Assurance Plan

1. Introduction & Purpose

1.1 Under the Accounts and Audit Regulations 2015 the Council is required to have an effective internal audit in place to evaluate the effectiveness of its risk management, control and governance processes, taking into account compliance with the Public Sector Internal Audit Standards (PSIAS).

1.2 The PSIAS define Internal Auditing as:

‘*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’*

1.3 The PSIAS require the Head of Audit & Assurance to prepare an annual risk-based internal audit plan, which takes into account the requirement to produce an annual internal audit opinion of the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This opinion statement is one of the key contributors to the Annual Governance Statement which the Chief Executive and Leader are required to sign off each year alongside the final accounts.

1.4 The annual programme of audit work, as defined within this annual audit plan, is the basis on which the Head of Audit & Assurance forms the required annual audit opinion.

2. Scope and Independence

2.1 In line with the requirements of the PSIAS, the Head of Audit & Assurance is responsible for the effective review of all aspects of risk, governance and internal control throughout the full range of the Council’s activities.

2.2 Audit and Assurance will remain independent of the activities that it audits to ensure internal auditors perform their duties in accordance with the statutory guidance, and relevant codes of ethics, and to ensure impartial, objective and effective professional judgements. Internal auditors have no operational responsibilities within the Council. Audit & Assurance staff have right of access to all information and records held by the Council which may be necessary in carrying out their work and may seek explanations on any matters from any officer or Member of the Council without fear or favour.

3. Standards and Ethics

3.1 All internal audit work will be delivered in line with the requirements of the PSIAS.

3.2 The PSIAS contain a mandatory Code of Ethics for all internal auditors in UK public sector organisations. Individual members of the internal audit staff within Audit & Assurance are also bound by the codes of ethics of their respective professional institutes. They are also required to declare that they comply with the Council’s Code of Ethics for Internal Audit and that they have no conflicts of interest annually. This is separate to the Council’s Register of Personal Interest.

4. <u>Internal Audit Planning Strategy</u>

4.1 This strategy recognises that it is management's responsibility to establish and maintain a sound system of internal control and ensure that risks are properly managed. The overall aim of internal audit work is to establish areas requiring improvement and recommend solutions that will enable the Council to achieve its objectives.

4.2 The audit strategy and planning process reflects that the audit environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified, assessed and included as appropriate in the annual audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have built in flexibility to consider, as and when required:

- Greatest risks to achievement of the Council' s objectives
- New areas of activity or emerging risks;
- Issues of local significance and importance;
- Changing issues and priorities;
- Changes to models for service delivery and partnership working; and
- The impact of changes on existing control structures.

4.3 The key principles of Audit & Assurance's approach to audit planning are:

- to deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations (2015).
- to meet the requirements of the PSIAS (2017) and the Local Government Application Note for the UK PSIAS (2019) by producing a risk based audit plan that takes into account the Council's organisational strategies, objectives, risks and priorities.
- to focus assurance effort on the most important issues for the Council, by assessing critical business processes and principal risks, at both strategic and operational levels.
- to support the Strategic Director, Finance & Governance, and Deputy Director Legal & Governance in fulfilling their obligations as the Council's Section 151 and Monitoring Officers respectively.
- to liaise with the external auditors to coordinate the approach and scope of work so that they can place reliance on the work of Audit & Assurance in delivering their own programme of work, where appropriate.
- to add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money and promoting organisational improvement.
- to consult with key stakeholders to ensure provision of an appropriate level of assurance within the available resource, accepting that not all requests can or will be met.
- to provide sufficient flexibility to allow the plan to evolve to meet any significant emerging risks during the year and to respond where appropriate to management requests for assistance, advice and consultancy.

5. <u>Internal Audit Planning Methodology</u>

5.1 The approach to audit planning for 2024/25 has been a risk based approach in line with the requirements of the PSIAS and has been prepared following consultation with senior management to establish the key risks areas faced across the Council. Consideration has also been given to the areas identified within the Corporate and Departmental Risk Registers, the Departmental Management Accountability Framework Director Dashboard Reports, and from a review of the outcomes of previous audits, together with cumulative audit knowledge and experience. Potential audit areas (the Audit Universe) have been identified and risk assessed against the following criteria:

- Materiality;
- Legal, Political and Reputational risk;
- Management priority;
- Internal Control, governance and previously identified issues;
- System stability; and
- Time since previous audit review.

5.2 The annual plan is produced from the Audit Universe and prioritised (Level 1-6) to the level of risk associated with each issue. The priorities have been determined as follows:

- Priority 1 (highest): A corporate risk, strategic governance or fundamental control review, not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months; or a grant claim certification, which must be endorsed by internal audit to comply with the funding requirements of central government departments. (Red).
- Priority 2: A significant departmental risk, governance, control or improvement issue identified by Directors and/or their departmental management teams not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months. (Amber)
- Priority 3: A significant departmental risk, governance or control issue identified from a review of corporate/departmental risk registers, MAF returns or Council minutes not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months. (Yellow)
- Priority 4: Other departmental risk, governance or control issue not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 2 years. (Green)
- Priority 5: Other departmental risk, governance or control issue not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 3 years. (Mauve)
- Priority 6 (lowest): Departmental risk, governance or control issue removed, no longer applicable or not auditable. (White).

5.3 In addition, during the planning meetings with Directors and other senior managers consideration was given to areas for inclusion in the plan (Priority A*) where internal audit could provide added value developing our approach from traditional ‘policeman’ to one of ‘educated friend’. This would provide scrutiny and challenge to activities and ensure that adequate controls are in place to meet the objectives for the activity identified. This work would support senior management in ensuring effective internal controls exist whilst identifying opportunities for improving value for money using our risk-based approach.

5.4 Only the priority 1, 2, and 3 reviews identified are able to be delivered in the 2024/25 Internal Audit Plan due to the limited Audit & Assurance staff resources available.

5.5 It is important that there is ability to flex and adapt the annual plan during the course of the year. The plan priorities will be reviewed with Directors during the course of the coming year to assess the impact of any changes to risk profiles, identify new or emerging issues and agree any changes to priorities.

6. Key Challenges & Opportunities

6.1 Transformation of services and budget pressures throughout the Council continues to result in significant challenges and changes to the control framework, and risks can increase as skilled and experienced staff leave the organisation or when new and innovative ways of working are developed and implemented. We need to be aware of the challenges that face the Council and maintain awareness of these risks as they emerge. The audit plan has been developed to provide assurance that basic risk, governance and control arrangements continue to operate effectively, minimising the risks of misappropriation, loss and error and to ensure that key risks are identified and adequately managed or mitigated.

6.2 To add value, Audit & Assurance needs to take into account the key changes and issues affecting the Council. The specific challenges and opportunities facing the Council at the current time have been considered and discussed with Directors as part of the planning strategy.

7. Categories of Internal Audit Work

7.1 The overall opinion on the Council's control framework is derived from a range of Audit & Assurance work over a number of areas. The work of the service is broadly categorised as follows:

- Planning – a risk based internal audit plan will be created on an annual basis, which will incorporate key risk areas within the Council, in line with strategic and operational risk registers, and the Council's Risk Management Policy.
- Risk-based system audits – one of the main ways that Audit & Assurance will form a view on the overall control system is by carrying out reviews of the component systems and processes (e.g. using process maps that identify risks and controls; drafting system notes) established within respective business entities. These are commonly known as risk-based system audits and will allow Audit & Assurance to assess the effectiveness of internal controls within each system in managing business risks, enabling a view to be formed on whether reliance can be placed on the relevant system. This approach will enable resources to be used in an efficient way, whilst maximising the benefit that can be derived from it.
- Compliance / regularity / establishment / school audits – these audits are intended to assess if systems are operating properly in practice. They are typically site-based (establishment) and focus on the propriety, accuracy and completion of transactions made. The term 'site' includes departments, services or devolved units. The audits may focus on specific systems or cover transactions in all major systems (not necessarily just financial systems). This will also provide

information and evidence about the extent, in practice, of compliance with organisational policies, procedures and relevant legislation.

- Key Control Testing – a variation on compliance audit but focusing on a small number of material or 'key' controls that provide assurance on the completeness and adequacy of the Council's accounts. This can provide the basis for external audit to place reliance on the work of Audit & Assurance.
- Procurement – This will use the risk-based methodology to assess compliance with the Council's corporate procurement strategy and the Constitution, with reference, in particular, to major contracts.
- Service Reviews / Value for Money – these reviews will use the risk-based methodology, working often in a multi-departmental team, to review specific processes. Value for money will be a consideration in both these and more general audit reviews.
- Control Risk Self-Assessment – facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops. This can service both the requirements for assurance or as consultancy.
- Systems Development Audit – phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage, thus minimising the need for re-working.
- Counter Fraud – preventing, detecting and investigating fraud and corruption is, ultimately, a responsibility of management – as part of management's general responsibility for the integrity of the Council's activities. Most cases of fraud and corruption exploit the same weaknesses in systems that, in other circumstances, might have led to nothing more than a mistake. Internal audit will assist management by:
    - verifying management's arrangements for ensuring systems are secure against fraud and corruption and report on any weaknesses;
    - investigate, using the fraud response plan, cases where there is evidence of fraud and irregularity;
    - when requested, undertake investigations into suspected or alleged fraud or corruption. These will be conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff;
    - review weaknesses revealed by instances of proven fraud or corruption, including review of National Fraud Initiative (NFI) data matches to ensure that appropriate action is taken to strengthen internal control arrangements;
    - verify that the risk of fraud and corruption is specifically considered in the Council's overall risk management process; and
    - develop counter fraud awareness and understanding of fraud risk.
- ICT Audit – specialist review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the ICT environment. These reviews will be conducted by in house staff being trained in the technical IT aspects.
- Consultancy – Audit & Assurance can also provide independent and objective services, including consultancy and fraud-related work. These services apply the professional skills of Audit & Assurance through a

systematic and disciplined approach and may contribute to the opinion, which Internal Audit provides on the control environment.

- Follow up audits – these are designed to test the implementation and effectiveness of previous audit recommendations.
- Evidence – all audit findings, conclusions and recommendations will be evidenced on file. Relevant details on which findings and recommendations are based will also be supported by evidence held on file within the Internal Audit section.
- Use of Technology – Internal Audit will employ relevant technology where appropriate when testing systems and when producing working papers and reports. Additionally Internal Auditors will be alert to IT risk in relations to technology utilised within systems under review.

8. Reporting Arrangements

8.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. A management action plan is included within the report, which summarises the recommendations arising. Management should agree these actions, allocating responsibilities and timescales for implementation.

8.2 Recommendations included in the report are classified as follows:

Must Critical in that failure to address the issue or progress the work will lead to one of the following occurring: loss, fraud, impropriety, poor value for money or failure to achieve against organisational objectives. Examples include failure to comply with legislation or organisational policy or procedures. *Remedial action must be taken immediately.*

Should Not critical but failure to address the issue or progress the work could impact on operational objectives and should be a concern to senior management. *Prompt specific action should be taken.*

Consider Areas that individually have no major impact on achieving objectives or on the work programme, but where combined with others could have an effect at the process level which could give cause for concern. *Specific remedial action is desirable.*

8.3 For the risk, control and governance audit reviews that support the Head of Audit & Assurance's annual audit opinion the final report will provide an assurance level. This will be measured to cover (i) the control environment following an assessment of internal controls identified and (ii) compliance following testing to measure application of those controls. The levels of assurance provided in the audit report are as follows:

Assurance Level	Control Environment	Compliance
Substantial	There are minimal control weaknesses, which present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Adequate	There are some control weaknesses, which present a medium risk to the	The control environment has mainly operated as intended although errors have been

	control environment.	detected.
Limited	There are significant control weaknesses, which present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No	There are fundamental control weaknesses, which present an unacceptable risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

8.4 For the consultancy reviews, where Audit & Assurance is providing independent advice and support to departments during the implementation of new systems and procedures an opinion may be provided, which reflects progress on these developments. This opinion may contribute to the Head of Audit & Assurance's annual audit opinion.

8.5 A final report containing management responses to any issues identified is subsequently distributed to:

- The Director responsible for the area reviewed;
- The Strategic Director, Finance & Resources (Section 151 Officer);
- The Statutory Governance Officers Group (Limited and No Assurance Reports only); and
- The Council's external auditor, (Limited and No Assurance Reports only).

9. Monitoring Arrangements.

9.1 The Audit & Assurance Plan will be monitored via weekly progress meetings of the Audit & Assurance management team, regular meetings with the Strategic Director, Finance & Resources and external audit. Individual reports will be issued to relevant senior managers and the Strategic Director, Finance & Resources.

9.2 The plan reflects the assurance need. However, it is recognised that priorities may be subject to change. In addition to the contingency that is available, we accept that there may be a need to amend our planned audits during the year so that we continue to reflect the priorities and risks of the Council. We will discuss minor changes with the Strategic Director, Finance & Resources. Any significant matters that impact upon completion of the plan or require substantial changes will be reported to Corporate Leadership Team and to the Audit & Governance Committee.

9.3 Report recommendations from individual audits are followed up to ensure they have been implemented as agreed. This arrangement allows progress against the plan to be discussed, management actions confirmed, and ensures audit resources are directed towards priority areas. It is the responsibility of management to ensure that all agreed actions arising from an audit report are implemented in accordance with the timetable agreed in the management action plan included in the audit report.

9.4 Where we issue a *limited* or *no* assurance report we will undertake "standard" follow-ups after 3 months. For all other assurance reports, we will undertake a "standard" follow up after 6 months. Where we have particular concerns about the implementation of recommendations we will undertake further "physical" follow up exercises where documentation will be reviewed and further testing undertaken.

9.5 In addition, summaries of finalised Audit & Assurance reports are presented to each Audit & Governance Committee meeting to provide an update of audit progress and coverage and to outline the key issues arising from this work. This also includes information on the implementation of agreed recommendations.

9.6 The performance of Audit & Assurance will be measured against a suite of performance measures and reported on a quarterly basis to Audit & Governance Committee through the progress & outcomes report. The defined targets are:

Achievement:

a) delivery of priority 1 audit plan topics: 100%
b) percentage of planned assignments completed within budget: 90%
c) percentage of final reports agreed within deadline: 90%
d) follow ups undertaken within deadline: 90%

Quality:

a) percentage of agreed recommendations implemented: 90%
b) percentage of client's satisfied with the Service : 75%
c) percentage compliance with PSIAS: 95%.

9.7 The extent of audit work performed during the year, managers' acceptance of audit recommendations and the subsequent improvements in controls and processes enable a formal opinion to be prepared by the Head of Audit & Assurance as to the quality of the overall internal control environment. This formal opinion will be presented to members within the Annual Internal Audit Report and this formal opinion feeds directly into the Annual Governance Statement.

10. Audit & Assurance Resources

10.1 As at 1 April 2024 Audit & Assurance will have a staffing structure devoted to the delivery of the Audit & Assurance Plan, which comprises of 5.1 full-time equivalent (FTE) posts:

- 1 Head of Audit & Assurance (0.60 FTE).
- 2 Principal Internal Auditors (1.8 FTE).
- 2 Internal Auditors (2.0 FTE).
- 1 Apprentice (0.7 FTE).

10.2 The qualifications, experience and specialisms of the staff occupying the current staffing structure are as follows:

Name	Qualifications	Experience	Specialism
Colin Ferguson Head of A & A	ACCA	40 years	Strategic Risk, Control & Governance Audit
Catherine Bibby Internal Auditor	Honours Degree/ IAP/AAT Part Qualified	10 years	Control, Governance, and Contract Audit Counter Fraud
Andrew Tordoff Principal Internal Auditor	HND in Accounting Foundation	24 years	Control, Governance, Risk and IT Audit.

	Diploma in Business Analysis		
Struan Jackson	CIPFA Diploma in Public Audit IIA Diploma, PIIA	20 years	Control, Governance & Risk Audit
Abbie Duncan Internal Auditor	AAT Foundation Certificate and Advanced Diploma in Accounting	2 years	Control, Governance & Risk Audit
Jacob McCartney	National Extended Diploma in Business Level 3 (BTech)	6 months	Control, Governance & Risk Audit

ACCA - Association of Chartered Certified Accountants
CIPFA – Chartered Institute of Public Finance Accountancy
PIIA - Practitioner of the Institute of Internal Auditors
IAP - Internal Audit Practitioner (Institute of Institute Auditors)
AAT - Association of Accounting Technicians
HND - Higher National Diploma (equivalent to 2 years at University)

10.3 Currently, this establishment is regarded as adequate for the Council's needs in ensuring that it meets the requirements of the Accounts and Audit Regulations. However, there will often be significant changes affecting either what the Council does or how it arranges delivery to fulfil its statutory obligations. The impact on the Audit & Assurance function of such changes will be reviewed, each year, so that Members can assess the adequacy of its resource needs.

10.4 Staff training (both induction and professional) will continue to be a major factor in the Team's Business Plan in 2024/25. In particular, ensuring that the standards demanded by the PSIAS are maintained. The competency framework has been developed in the Audit & Assurance Manual so that all staff can be assessed periodically against a pre-defined standard and training needs identified. There is a training plan that is linked to both Personal Plans and the Team's own development needs. The professional training that has been proposed for inclusion in the Finance & Resources Department training plan is as follows:

Name	**Professional Training**	**2024/25 Commitment**
Colin Ferguson	Certified Professional Development via CIPFA and IIA seminars	4 days
Catherine Bibby	Certified Professional	4 days

	Development via CIPFA and IIA seminars	
Struan Jackson	Certified Professional Development via CIPFA and IIA seminars	4 days
Jacob McCartney	AAT	50 days

10.5 A resource calculation was undertaken to determine the number of days available for the various types of audit work. The resource calculation is shown below, with 2023/24 figures for comparison.

Category	**2024/25**	**2023/24**
Total available days	1556	1567
Deduct: annual leave, sickness & bank holidays.	(247)	(246)
Deduct: non-productive time (management meetings, team meetings, attendance at external meetings, training, planning etc.)	(249)	(251)
Deduct: non-audit time (counter fraud, insurance/risk, financial support etc.)	(274)	(332)
Days available for Audit & Assurance reviews	**786**	**738**

10.6 The days available for Audit & Assurance reviews have been allocated to the priority 1, 2, and 3 and consultancy audit planning levels (see section 5.2, and 5.3 above) for the following corporate and departmental areas (See Appendix 2).

			Appendix 2
Audit & Assurance - Draft Internal Audit Plan 2024/25	**Classification**	**Priority**	**2024/25**
Adult & Prevention			
Preparation and readiness for CQC Inspection.	Risk	1	10
Adult Safeguarding Board	Governance	2	10
Budget Management	Risk	2	10
Client case management systems including Access Controls	Control	2	10
Sickness absence management	Risk	3	10
Asylum support and policy work	Risk	3	10
Personalised budgets/Direct payments	Control	3	10
Sub total			**70**
Children's Services & Education			
Ofsted Inspection Framework. Inspection readiness. SEF Improvement Plan and Evidence of impact	Risk	1	10
Protocol ICS System	Risk	2	15
Compliance with the Children & Families Act in relation to SEND	Risk	2	10
Social work case load management, workload & capacity	Risk	3	10
Commissioning Panel Arrangements - Identification and collection of Health contributions	Control	3	10
Audits of Schools Finance systems	Control	3	65
Adoptions system and payments	Control	3	10
Sub total			**130**
Public Health & Wellbeing			
Internal Public Health Spend/Social Determinants of Health Fund	Governance	2	15
Sub total			**15**
Growth & Development			
Environment Strategy/ Climate Change Strategy/Carbon Management/Renewable Energy	Risk	2	10
Town Fund	Governance	2	10
Asset Management System - Corporate and Commercial Portfolio Landlord /tenants Responsibilities	Control	2	10
UK Shared Prosperity Fund	Governance	2	10
Levelling-up Funded Projects	Governance	2	15
Devolution Deal	Governance	2	10
Levelling Up Partnership	Governance	2	10
Building Control. Compliance with Building Control Performance Standards	Risk	3	10
Sub total			**85**
Environment & Operations			
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5
Bus Subsidy Grant	Control	1	5
Bus Services Improvement Grant Assurance and Certification Requirements	Control	1	10
Food Waste Collection Funding Grant Certification Requirements	Control	1	10
Highway Asset Management/ Highways Asset Valuation/ Data Management Strategy	Risk	2	15
Transport/Depot Stores/Fuel Stocks	Control	3	15
Licensing - Taxi and Other Licensing Income Recording and collection	Risk	3	10
External challenge against the level of Licence fees charged by the Council	Risk	3	10
Commercial Income generation. Recording, collection and recovery	Control	3	10
Sub total			**90**
Chief Executives - HR & Engagement etc			
HR & Payroll - Core system	Control	1	15
Performance management/Data quality	Control/Governance	2	10

Audit & Assurance - Draft Internal Audit Plan 2024/25	Classification	Priority	2024/25
Equal Pay Action Plan	Risk/Governance	2	15
Civil Contingencies/Emergency Planning Statutory Responsibilities and arrangements	Risk	2	10
Partnership Scrutiny/Accountability	Governance	3	10
Sickness Absence/ Improve Attendance at Work/Attendance Management Arrangements	Control	3	10
Social Media	Risk	3	10
Facilities management	Control	A*	10
Sub total			**90**
Digital & Information Technology			
Device management & stock control	Control	1	10
Software licensing	Control	2	10
Business Continuity/Disaster Recovery	Risk	2	10
Digital Customer Portal.	Risk	2	10
Sub total			**40**
Legal & Governance			
Information security and controls to prevent data loss (Information Governance)/ Compliance with GDPR	Risk	1	15
Management of FOI rand subject access requests. Compliance with Legislation	Risk	3	10
Schools Appeals	Risk	3	10
Sub total			**35**
Finance			
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFS	Control	1	10
Main Accounting System - Accuracy, integrity and access controls etc	Control	1	10
Main Accounting System - Quarterly control and suspense account reconciliation processes		1	8
Sundry Debtors/ Income Recording & Collection (non Sundry Debtors)		1	15
Housing Benefits	Control	1	15
Creditors/E-Procurement		2	15
VAT		2	10
Treasury/Cash flow management/Controls to prevent major loss incurred regarding investment and/or borrowing.		2	10
CIPFA Financial Mgmt Code and VFM Assessments	Control	2	10
Project management - Monitoring and Reporting	Control	3	15
Civica Asset Management module	Control	3	10
Sub total			**128**
Other Audit Work			
Review of Financial Regulations, SFIs, etc	Governance	2	2
2023/24 Work in progress	Governance	1	40
Follow up work	Governance	1	10
Audit Committee	Governance	1	10
Liaison with external audit	Other	1	2
Audit Committee Annual Report/Evaluation	Governance	1	4
HoIA Annual Report	Governance	1	4
A & A Client liaison/Queries	Other	2	10
A & A Client liaison/DMT attendance	Other	2	2
A & A Client liaison/Project Groups	Other	2	4
Contingency	Other	2	15
Sub total			**103**
Other Risk & Governance Work			
Annual Gov Statement	Governance	1	10
MAF and MAF Challenges	Governance	1	10
Risk Management Development	Risk	1	5
Risk Management Support	Risk	1	5
Road Risk Mgmt Group	Risk	1	4
Review/Monitor Corporate Risks	Risk	1	5
Review Monitor Departmental Risks	Risk	1	6

Audit & Assurance - Draft Internal Audit Plan 2024/25	Classification	Priority	2024/25
Business Continuity Champions Meetings	Risk	1	2
MAF Process Review		2	0
Risk Annual Plan/Report	Risk	2	4
Sub total			**51**
Other Fraud Work			
National Fraud Initiative (NFI)	Governance	1	15
Counter Fraud Annual Plan/Report	Governance	1	3
Reactive investigations	Governance	2	15
Review/Monitor Fraud Risk Register	Control	2	4
Fraud awareness and whistle blowing initiatives	Control	2	2
Sub total			**39**
Total Planned Audit Days 2024/25			**876**

Appendix 3

Audit & Assurance - Draft Three Year Strategic Internal Audit Plan	Priority	2024/25	2025/26	2026/27
Adult & Prevention				
Preparation and readiness for CQC Inspection.	1	10		
Adult Safeguarding Board	2	10		
Budget Management	2	10		
Client case management systems including Access Controls	2	10	10	10
Sickness absence management	3	10		
Domiciliary/Personal Care services Contract Monitoring	3		10	
Homelessness/Supported Living/Housing Needs	3		10	
Mosaic - Financial Assessment module	3		10	
Adults Contracts and Commissioning incl Private Care Home Contract Payments	2			15
Transitional Arrangements : Children to Adult Care	3		5	
Adults Social Care Income	2		10	
Corporate appointee/Guardianship arrangements	3			10
Asylum support and policy work	3	10		
Personalised budgets/Direct payments	3	10		
Disabled Facilities Grant	3			10
Volunteers/ Demand Management Strategy	3			10
Provision of equipment to services users	3			10
CCTV Provision and Contract Pennine Lancs	2		10	10
Review of Reablement Service	3		10	
Sub total		**70**	**75**	**75**
Children's Services & Education				
Ofsted Inspection Framework. Inspection readiness. SEF Improvement Plan and Evidence of impact	1	10		
Protocol ICS System	2	15		10
Compliance with the Children & Families Act in relation to SEND	2	10		
Social work case load management, workload & capacity	3	10		
Quality assurance arrangements. Compliance legislative/procedural requirements and national standards across social care teams.	2		15	
Commissioning Panel Arrangements - Identification and collection of Health contributions	3	10		
Audits of Schools Finance systems	3	65	70	80
Adoptions system and payments	3	10		
Commissioning/Contract Management	2		15	
Transitional Arrangements : Children to Adult Care	2		15	
Fostering recruitment, retention and payments/Fostering sufficiency.	3			10
Safeguarding/ Contextual Safeguarding / Safeguarding Board	2		10	
Pupil Transport	3			
Occupational therapy and disabled facilities grant	3			10
Financial Support for families	3		10	
H&S and lone working arrangements etc	2			10
Managing supply of school places	3			10
Childrens Centres	3			15
Statutory responsibilities relating to safeguarding in education. C	2		10	
Sub total		**130**	**145**	**145**
Public Health & Wellbeing				
Internal Public Health Spend/Social Determinants of Health Fund	2	15		
Place Based Partnership Board	2		10	
Contracts and commissioning	2			15
Sub total		**15**	**10**	**15**
Growth & Development				
Environment Strategy/ Climate Change Strategy/Carbon Management/Renewable Energy	2	10		
Town Fund	2	10	10	
Asset Management System - Corporate and Commercial Portfolio Landlord /tenants Responsibilities	2	10		10
Long Term Plan for Towns Grant			10	

Audit & Assurance - Draft Three Year Strategic Internal Audit Plan	**Priority**	**2024/25**	**2025/26**	**2026/27**
UK Shared Prosperity Fund	2	10		
Levelling-up Funded Projects	2	15		10
Combined Authority Arrangements	1		15	15
Devolution Deal	2	10		
Levelling Up Partnership	2	10		
Property Services	3		10	10
Delivery of Growth Programme priorities.	2		10	
Compliance with Building Control Performance Standards	3	10	10	
Planning Fees	3			10
Section 106 arrangements	3			10
Use of the Contractor and Development Framework	2			10
Commercial Property Rental Management	3		10	
Building Safety Levy	3		10	
Management & Maintenance of Estate, Incl Health & Safety/Statutory Inspection Processes	2		10	
Housing Strategy	2			10
Sub total		**85**	**95**	**85**
Environment & Operations				
Local Transport Capital Funding/LTP Grant Certification Requirement	1	5	5	5
Bus Subsidy Grant	1	5	5	5
Bus Services Improvement Grant Assurance and Certification Requirements	1	10	10	10
Food Waste Collection Funding Grant Certification Requirements	1	10	5	5
Highway Asset Management/ Highways Asset Valuation/ Data Management Strategy	2	15		15
Transport/Depot Stores/Fuel Stocks	3	15		
Leisure Centres	3		15	
Libraries	3			15
HMO licensing	3		10	
Licensing - Taxi and Other Licensing Income Recording and collection	3	10		
Flare System Replacement	2		15	
Museums collections Recording system	3		10	
Public Protection	3			10
Tree Inspection arrangements	3		10	
Theatre Income recording and collection	3			10
Business Centre management	3		10	
Markets management	3			10
External challenge against the level of Licence fees charged by the Council	3	10		
Commercial Income generation. Recording, collection and recovery	3	10		10
Sub total		**90**	**95**	**95**
Chief Executives - HR & Engagement etc				
HR & Payroll - Core system	1	15	15	15
ITrent4U implementation Phase 2	1		10	
Performance management/Data quality	2	10	10	10
Equal Pay Action Plan	2	15		
Productivity Plans	2		10	
Best value arrangements			10	
Civil Contingencies/Emergency Planning Statutory Responsibilities and arrangements	2	10		
Health & Safety	2		15	
Partnership Scrutiny/Accountability	3	10		10
Sickness Absence/ Improve Attendance at Work/Attendance Management Arrangements	3	10		
Staff induction & exit arrangements	3			10
Mileage and Expenses				10
Organisational Development				10
Social Media	3	10		
Facilities management	A*	10		
Sub total		**90**	**70**	**65**

Audit & Assurance - Draft Three Year Strategic Internal Audit Plan	Priority	2024/25	2025/26	2026/27
Digital & Information Technology				
Device management & stock control	1	10		
Software Patching and Vulnerability management	2		15	
Change Control				15
Software licensing	2	10		
Cyber Security	1		10	10
Internet Controls - Filtering system and reporting notifications			10	
Vendor/Third Party due diligence and management	2		15	
Data sharing arrangements	2			10
Business Continuity/Disaster Recovery	2	10		
Digital Customer Portal.	2	10		
Sub total		**40**	**50**	**35**
Legal & Governance				
Information security and controls to prevent data loss (Information Governance)/ Compliance with GDPR	2	15		
Management of FOI and subject access requests. Compliance with Legislation	3	10		
Governance & Decision making	2		10	10
Elections	2			10
Legal Services income recording and collection	2		10	
Legal Services procurement - Counsel, Experts etc	2		10	
RIPA compliance	3		10	
Members Allowances and Induction	3			10
Legal Case Management	2			10
Schools Appeals	3	10		
Sub total		**35**	**40**	**40**
Finance				
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFS	1	10	10	10
Main Accounting System - Accuracy, integrity and access controls etc	1	10	10	10
Main Accounting System - Quarterly control and suspense account reconciliation processes	1	8	8	8
Sundry Debtors/ Income Recording & Collection (non Sundry Debtors)	1	15	15	15
Housing Benefits	1	15	15	15
Council Tax	2		15	15
Business rates recording and collection	2		10	10
Creditors/E-Procurement	2	15	15	15
Procurement/Contract Management	2			15
VAT	2	10		
Treasury/Cash flow management/Controls to prevent major loss incurred regarding investment and/or borrowing.	2	10		
CIPFA Financial Mgmt Code and VFM Assessments	2	10		
Project management	3	15		
Capital Programme/Budget - Monitoring and Reporting	2		15	
Value for money audit	2		20	20
Civica Asset Management module	3	10		
Sub total		**128**	**133**	**133**
Other Audit Work				
Review of Financial Regulations, SFIs, etc	2	2	2	2
Work in progress	1	40	40	40
Follow up work	1	10	10	10
Audit Committee	1	10	10	10
Liaison with external audit	1	2	2	2
Audit Committee Annual Report/Evaluation	1	4	4	4
HoIA Annual Report	1	4	4	4
PSIAS Peer Review	1	0	0	5
A & A Client liaison/Queries	2	10	10	10
A & A Client liaison/DMT attendance	2	2	2	2
A & A Client liaison/Project Groups	2	4	4	4
Contingency	2	15	15	15
Sub total		**103**	**103**	**108**

Audit & Assurance - Draft Three Year Strategic Internal Audit Plan	Priority	2024/25	2025/26	2026/27
Other Risk & Governance Work				
Annual Gov Statement	1	10	10	10
MAF and MAF Challenges	1	10	10	10
Risk Management Strategy and Development	1	5	8	5
Risk Management Support	1	5	5	5
Road Risk Mgmt Group	1	4	4	4
Review/Monitor Corporate Risks	1	5	5	5
Review Monitor Departmental Risks	1	6	6	6
Business Continuity Champions Meetings	1	2	2	2
Risk Annual Plan/Report	2	4	4	4
Sub total		**51**	**54**	**51**
Other Fraud Work				
National Fraud Initiative (NFI)	1	15	20	15
Counter Fraud Annual Plan/Report	1	3	3	3
Reactive investigations	2	15	15	15
Review/Monitor Fraud Risk Register	2	4	4	4
Fraud awareness and whistle blowing initiatives	2	2	2	2
Sub total		**39**	**44**	**39**
Total Planned Audit Days 2024/25		**876**	**914**	**886**

Appendix 4

Blackburn with Darwen Borough Council

Internal Audit Charter

Audit & Assurance
Finance & Resources Department

Latest Approval: Audit Committee 2 March 2023

Background

The Public Sector Internal Audit Standards (PSIAS) provide a consolidated approach to the function of internal auditing across the whole of the public sector enabling consistency, continuity, sound corporate governance and transparency in the delivery of public sector internal audit. The PSIAS encompass the mandatory elements of the International Professional Practices Framework of the Global Institute of Internal Auditors (IIA) standards, and also additional requirements and interpretations for the UK public sector. They are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector

The purpose of the Internal Audit Charter is to define the Council's internal audit team's purpose, authority and responsibility in accordance with the requirements of the PSIAS. These are consistent with the Internal Audit Mission, which is set out below. It establishes internal audit's position, as performed by Audit & Assurance, within the Council, and its reporting lines. It authorises internal audit staff members' rights regarding access to records, personnel and physical property relevant to the perform their audit work, and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Head of Audit, & Assurance and internal audit staff, and identifies the nature of professionalism, skills and experience required.

The Internal Audit Mission

To enhance and protect organisational value by providing independent risk-based and objective assurance, advice and insight.

Definition

The Audit & Assurance team has adopted the following definition of internal auditing from the PSIAS. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The PSIAS require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of the Council's internal audit work, the 'board' refers to the Council's Audit & Governance Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive and Directors.

Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. The Head of Audit & Assurance is responsible for ensuring that internal auditors, as well as the internal audit activity, demonstrate achievement of the Core Principles. Failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it should be in achieving the Internal Audit Mission. The internal audit activity must achieve the following Core Principles:

- Demonstrate integrity.
- Maintain objectivity.

- Demonstrate competence and exercise due professional care.
- Maintain confidentiality.
- Authorised and overseen by the Board.
- Objective and free from undue influence (independent).
- Plan strategically. Aligns with the strategies, objectives, and risks of the organisation.
- Appropriately positioned and manages resources.
- Demonstrate quality and continuous improvement.
- Communicate effectively.
- Plan engagement effectively to provide risk-based assurance.
- Conduct engagement work.
- Communicate engagement results and monitor action plans.

Standards

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.
- The Accounts and Audit Regulations 2015 also state that: "a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance."

The internal audit function is required to comply with the PSIAS. The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government, adopted the common set of PSIAS from 1 April 2013. CIPFA adopted the third edition of the PSIAS from 1 April 2017. Compliance with the Standards is subject to an on-going quality assurance and improvement programme (QAIP), developed and implemented, in line with the Standards. This Programme will cover all aspects of the internal audit activity and includes a self-assessment on a regular basis and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Results of quality reviews shall be reported to the Audit & Governance Committee by the Head of Audit & Assurance.

Responsibilities and Objectives of Internal Audit

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms to the Mission Statement, Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the PSIAS Core Principles, the Council's Internal Audit Code of Ethics and the Standards. In addition, all internal audit staff are also required to adhere to the code of ethics of their professional bodies where appropriate.

The Head of Audit & Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

Responsibilities of the Council

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards. The Strategic Director, Finance & Resources (Section 151 Officer) will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit & Governance Committee and the adoption of corresponding elements in the Financial Procedure Rules contained within the Council's Constitution.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.
The Council, through the Chief Executive, Strategic Director, Finance & Resources and other relevant managers, will respond promptly to audit plans, reports and recommendations. Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Independence and Objectivity of Internal Audit

The internal audit activity must be independent and internal auditors must be objective in performing their work. Audit & Assurance have adopted the PSIAS definition of independence. This is defined as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. The Financial Procedure Rules recognise the organisational independence of the internal audit function as performed by Audit and Assurance. Although structurally part of the Finance Department and reporting, initially, to the Strategic Director, Finance & Resources, who has line management responsibilities for the team, to achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity the Head of Audit, & Assurance has direct reporting, and other, access to the Chief Executive and the Audit & Governance Committee. Additionally the internal audit function, as performed by Audit & Assurance, will have, as far as possible, little or no non-audit responsibilities.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgment. Internal auditors are required to declare any potential conflict of interest. Where internal auditors have a perceived conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit planning, management, and supervisory process.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Audit & Assurance also manages the functions of risk management and insurance. When audits covering these functions are undertaken they will be led by an independent Principal Auditor, with draft reports being issued to the Principal Insurance Officer or Principal Auditor (Risk & Governance) for a management response. The Head of Audit & Assurance will take no part in this process.

The Head of Audit & Assurance will confirm to the Audit & Governance Committee at least annually, the organisational independence of the internal audit activity.

<u>Head of Audit & Assurance</u>

The Head of Audit & Assurance will be appointed by the Council and will have sufficient skill, experience and competencies to work with the Executive Team and the Audit & Governance Committee to deliver an effective internal audit service and influence the risk management, governance and internal control frameworks of the Council. The Head of Audit & Assurance is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience within the internal audit team to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Audit & Assurance will specify any other professional skills that may be needed by the internal audit team. The Head of Audit & Assurance will hold a full, professional accountancy qualification, defined as a member of one of the Consultative Committee of Accountancy Bodies (CCAB), Chartered Member, Institute of Internal Auditors (CMIIA) or equivalent professional accountancy membership and adhere to professional values and the Code of Ethics.

<u>Relationships</u>

The Head of Audit & Assurance reports directly to the Strategic Director, Finance & Resources. The Head of Audit & Assurance, or an appropriate representative of the internal audit team, shall attend meetings of the Audit & Governance Committee unless, exceptionally, the Committee decides that they should be excluded from either the whole meeting or for particular agenda items.

The Head of Audit & Assurance shall have an independent right of access to the Chair of the Audit & Governance Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Head of Audit & Assurance may report directly to the Chair of the Audit & Governance Committee.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

<u>Scope of Internal Audit</u>

The Head of Audit & Assurance should develop and maintain a strategy for providing the Strategic Director, Finance & Resources economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The annual internal audit plan will be risk based, prepared in consultation with Departmental Management Teams and presented to the Audit & Governance Committee for approval. The Head of Audit & Assurance opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

The Head of Audit & Assurance will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Governance Committee.

Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and,
- co-ordinating the activities of and communicating information among the Audit & Governance Committee, external and internal auditors and management.

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit use a risk based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Audit & Assurance must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Audit & Assurance must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

Non-Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the internal audit plan to allow for management requests and consultancy work.

The Head of Audit & Assurance must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Head of Audit & Assurance must advise the Strategic Director, Finance & Resources before commencing the work. The Head of Audit & Assurance must consider how the consultancy work contributes towards the overall opinion.

Fraud

Managing the risk of fraud is the responsibility of line management. The Strategic Director, Finance & Resources has specific responsibilities in relation to the detection and investigation of fraud or irregularities and may request internal audit to assist with the investigation of suspected fraud or corruption. The relationship between the Head of Audit & Assurance, the Strategic Director, Finance & Resources, and HR & Payroll staff has been set out in a fraud response plan that has been agreed by all parties. Internal audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

Whilst it is not a primary role of internal audit activity to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal audit can do additional work, although it cannot be prejudicial to this primary role. Typical activities may include:

- investigating the cause of fraud;
- responding to whistleblowers;
- considering fraud in every audit;
- making recommendations to improve processes; and
- review fraud prevention controls and detection processes put in place by management.

Reporting

The Head of Audit & Assurance will agree reporting arrangements with the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Head of Audit & Assurance will present a formal report annually to the Council's Statutory Governance Officers' Group, chaired by the Chief Executive. This Group includes the Strategic Director, Finance & Resources and Monitoring Offcer. The report will also be considered by the Audit & Governance Committee. It will give an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. The report will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit & Governance Committee. The annual report will state any areas of non-conformance with PSIAS and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit & Governance Committee on a regular basis during the year.

Internal Audit Access Rights

The Financial Procedure Rules (B2) state that the Strategic Director, Finance & Resources or his/her authorised representative (interpreted to be any Audit & Assurance internal audit officers) shall have authority to:

- enter any Council premises or land;
- require any officer or member to produce any cash, stores or any other property of the Council under his/her control;
- require from any officer or member access to all records, documents, vouchers and correspondence relating in any way to both the financial or other transactions of the Council and the development of processes or activities within the Council or its partners;
- require and receive such information and explanations as are necessary concerning any matter under examination.

Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where internal audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's Board and in consultation with the Strategic Director, Finance & Resources to ensure that appropriate audit resources are available to provide assurance over the Council's activities.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and standards. Leadership will be provided by qualified accountants experienced in the field of audit, and support will be provided by qualified or experienced auditors, accounting technicians or trainees preparing to become qualified auditors, accountants or technicians. Auditors need to be properly trained to fulfil their responsibilities, and should maintain their professional competence through an appropriate ongoing development programme. The Head of Audit & Assurance is responsible for appointing Internal Audit staff and will ensure that appointments are made to achieve the correct mix of qualifications, experience and audit skills.

If the Head of Audit & Assurance or the Audit & Governance Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Strategic Director, Finance & Resources accordingly.

<u>Review</u>

The Internal Audit Charter will be reviewed and reported to the Audit & Governance Committee at least every two years.

TO:	Audit & Governance Committee
FROM:	Head of Legal and Procurement
DATE:	18 March 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Waivers from Contract and Procurement Procedure Rules

1. PURPOSE

Further to previous reports on this matter, to update Committee Members on waivers from the Contract and Procurement Procedure Rules.

2. RECOMMENDATIONS

- The Committee is asked to note the contents of the report.

3. BACKGROUND

Under Rule 13 of the Council's Contract and Procurement Procedure Rules waivers from those rules are permitted for specific reasons set out in the rules.

In 2022 the Contracts and Procurement Team introduced a digital system for submitting and recording waivers using Microsoft Forms, Lists and Power Automate. Waivers are submitted by completing a form on Microsoft Forms. An automated workflow records this on a central list and notifies the Head of Legal and Procurement who completes sections advising on legal implications and makes a recommendation. The waiver is then automatically sent to the relevant Director to make a decision. Once they make the decision this is automatically recorded on the list. The Officer who submitted the waiver is provided an automatic update email of progress at each stage.

In June 2023, a report to this committee highlighted that in the previous year 89 waivers were approved and that this number was significantly higher than previous years. It was therefore agreed that this matter remain under review and that further reports would be brought back to this committee.

4. RATIONALE

The use of waivers from Contract and Procurement Procedure Rules should be the exception not the rule. That said, there are legitimate circumstances where waivers are necessary to ensure that service delivery continues.

Officers are aware of issues in other Councils where excessive and inappropriate use of waivers can be an indication of wider governance issues. Acknowledging this, action is therefore being taken to address and reduce the number of waivers. Given the Council's 'starting' position on this matter, and recognising the capacity constraints that exist, it is likely that the efforts to reduce the number of waivers will take some time to resolve.

5. KEY ISSUES

The previous report to this Committee indicated that 89 waivers were approved in 2022/23.

Since then, the Head of Legal and Procurement has been engaging with all Departments highlighting the high volume of waivers and challenging some of the common reasons put forward for waivers.

Up to the end of January 2024, 47 waivers had been approved in the 2023/24 financial year compared with 64 in the same period in the 23/24 financial year. This does indicate some reduction in the volume of waivers and that Officers are being more pro-active in planning for procurement activity. Equally, work to update the Council's Contracts Register is in an advanced stage and will provide the forward-looking intelligence.

For 2023/24, the number of waivers is likely to increase by the end of the financial year as there is a significant number of contracts and commissioned services identified within the People portfolio which require procurement exercises to be undertaken imminently and there is not currently sufficient capacity to undertake them all. This is in part a consequence of the Covid Pandemic, where no capacity existed to undertake procurement processes (hence waivers were issued in those instances) and latterly has been impacted by a complete restructuring of the Commissioning (for Adults and Childrens Services) function.

The Head of Legal and Procurement is working with the Strategic Director – Adults and Health, the Strategic Director Finance and Resources and the Head of Commissioning to agree a plan for these contracts; given current capacity, commissioning capability and a desire to ensure that the services procured reflect properly the needs of the Council (and indeed, residents), it is inevitable that some of these contracts will need waivers to extend current arrangements to allow time to re-procure in a way that delivers the best service and one that represents improved value for money. This may result in up to an additional 20 waivers.

The average value of contract waived reduced slightly to £101k (from £103k) and the median value of contracts waived increased slightly to was £34k (from £32k). These figures remain largely similar and reflects that the significant majority of waivers are for contracts of relatively low value where we would normally obtain 3 quotes via the Chest.

To put these matters into context, so far in this financial year 120 contracts have been awarded via the Chest e-tendering system with an average value of £507k (and a total value of £61m). In addition, there has been at least 15 contracts awarded by the Procurement team through approved external frameworks.

6. POLICY IMPLICATIONS

Compliance with Contract Procurement Procedure Rules helps to deliver the Council's Procurement Strategy and Social Value Policy.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from the contents of this report. Ensuring contracts are procured effectively is key for delivering value for money.

8. LEGAL IMPLICATIONS

The rules and waiver process are designed to ensure compliance with Public Contracts Regulations 2015. The Head of Legal and Procurement comments on any legal implications of any waiver request.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. STATEMENT OF COMPLIANCE

The recommendations in this report are made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. CONSULTATIONS

Directors

Contact Officer: Chris Bradley, Head of Legal and Procurement

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**18 March 2024**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Risk Management – 2023/24 Quarter 3 Review

1. PURPOSE

1.1 To provide the Committee with details of the risk management activity that has taken place in the period from 1 October 2023 to 31 December 2023.

2. RECOMMENDATIONS

2.1 The Committee is asked to:

- Discuss and review the Corporate Risk Register as at the end of December 2023;
- Note the risk management activity that has occurred during the period; and
- Consider the selection of a Corporate Risk for the Committee to undertake a review of its assessment, control and monitoring at its September meeting.

3. BACKGROUND

3.1 The Council recognises that risk management is not simply a compliance issue, but rather it is a process to help ensure the successful delivery of the Council's Corporate Plan priorities and service plan objectives. Effective risk management arrangements should be embedded in the Council's culture and decision making processes as well as being an inherent part of the operational and financial management arrangements operating within the Council. Risk management helps to demonstrate openness, integrity and accountability in all of the Council's activities.

4. RATIONALE

4.1 The Audit & Governance Committee terms of reference require it to review progress on risk management at least annually and to promote risk management throughout the Council. The Corporate Risk Management Strategy & Framework requires that the Audit & Governance Committee will receive regular reports setting out progress against corporate risk management action plans. This report satisfies both these requirements.

5. KEY ISSUES AND RISKS

5.1 The Corporate Risk Register contained 23 open risks at 31 December 2023. A summary of the corporate risk details is set out in Appendix 1 of this report. The Council's top six corporate risks at that date were:

- Risk Ref 1 - Failure to deliver a balance budget and Medium Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances.
- Risk Ref 14 - A high profile serious or critical safeguarding case that is known to the Council services, in light of Covid-19 working arrangements.
- Risk Ref 17 - Cyber security failures leading to financial, data loss or disruption to services from compromise of the IT network or systems.
- Risk Ref 18 - Insufficient budget/capital receipts for service delivery if MTFS income targets from the Growth Programme are not met.
- Risk Ref 24 - Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough.
- Risk Ref 29 - The Council is unable to continue to deliver its services adequately and effectively due to a failure in the IT infrastructure.

5.2 The following changes were made to the risk register during the period:

- The risk associated with the on-going industrial unrest and associated strike action in the NHS and other key partners and sectors and the impact that this may have had on Council services (Risk Ref 28) was closed at the end of December. Directors agreed that this area was no longer a strategic risk, as the nature of the risk had changed. It would be a business as usual activity for relevant departments to manage as applicable going forward. However, this area will be kept under review.
- The opportunity associated with the creation of a Combined Authority for Lancashire has been added (Risk 32).

5.3 As part of the Council's Risk Management process corporate risks are reviewed and monitored on a regular basis to ensure that we have appropriate, properly assessed corporate risks identified going forward. The Corporate Assurance Board reviews the risk details on a quarterly basis as part of the Management Accountability Framework reporting arrangements, as well as the on-going review and update of the risks by the designated risk owners and key contacts.

5.4 We have also continued to liaise with departments, the insurance brokers and our underwriter to respond to policy related queries relating to a variety of topics, as well as to arrange additional insurance cover as and when required.

6. POLICY IMPLICATIONS

There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality or health implications arising from this report.

11. STATEMENT OF COMPLIANCE

The recommendations in this report are made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. CONSULTATIONS

The Corporate Risk Register has been reviewed by Risk Owners and Key Contacts, and agreed by Corporate Assurance Board.

Contact Officer:	Colin Ferguson Head of Audit & Assurance – Ext: 5326
Date:	7 March 2024
Background Papers:	Corporate Risk Management Strategy 2021/2026, 2022/23 Annual Risk Management Report (including Quarter 4 Review)

Appendix 1

Summary Risk Register

Update | Create | Insert

Directorate:

Department: Corporate Risk Register

Service:

Quarter and Year: Quarter 3 - 2023/24 | Date of last review: 30-Nov-23

Date: 31-Dec-23 | Date of next review: 31-Mar-24

				Inherent			Residual			Target							Previous Residual			
Risk No	Risk Description	Date Raised	Strength of Existing Controls	L	I	Risk Rating	L	I	Risk Rating	L	I	Risk Rating	Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	L	I	Risk Rating	Change in Score
1	Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Government-appointed Commission taking control of the Council	26-Jan-15	Fair	5	5	HIGH	3	5	HIGH	1	3	LOW	Dean Langton	Simon Ross	Open	17-Dec-23				
2	Failure of the Council's assets or failure to manage these in a proactive and co-ordinated way (Assets include Buildings, and Infrastructure)	25-May-11	Fair	3	5	HIGH	2	4	MEDIUM	2	2	LOW	Martin Kelly	Carmel Foster-Devine, Andrew Barrow, Michael Hardman	Open	15-Dec-23				
4	The Council is not able to effectively influence and shape new partnership structures to respond to changes occurring in the public sector.	07-Feb-12	Good	3	3	MEDIUM	2	3	LOW	2	2	LOW	Denise Park	Mohsin Mulla / Ben Greenwood / Katherine White	Open	14-Dec-23				
5	There is a risk that governance and decision making arrangements fail	25-May-11	Good	3	4	MEDIUM	2	2	LOW	1	1	LOW	Asad Laher	Asad Laher	Open	18-Jul-23				
7	Ensure BwD delivers its CCA statutory functions of risk assessing, emergency planning, response, recovery, to protect the Community/enhance the Council's resilience, mitigate reputational and financial damage.	25-May-11	Good	4	5	HIGH	1	5	LOW	1	5	LOW	Denise Park	Corinne McMillan, Jenna Russett-Knott, Sarah Riley	Open	21-Dec-23				
7b	Ensure the delivery of the CCA Business Continuity Management (BCM) and Business Continuity Promotion (BCP) arrangements are in place. Incorporating preparedness, validating training/exercising of procedures and plans in order to protect BwD and enhance community resilience.	22-Sep-16	Good	3	4	MEDIUM	2	4	MEDIUM	1	3	LOW	Denise Park	Corinne McMillan, Jenna Russett-Knott, Sarah Riley	Open	21-Dec-23				
10	Due to the breakdown of community relations or a deterioration of community cohesion, greater risk of hate crime, extremism, radicalisation or polarisation of communities.	07-Feb-12	Good	4	5	HIGH	2	3	LOW	1	3	LOW	Denise Park	Katherine White; Richard Brown	Open	30-Oct-23				
11	Failure to improve the education and skills for our young people	20-Aug-13	Good	4	4	HIGH	2	3	LOW	2	3	LOW	Jo Siddle	Michelle Holt	Open	02-Feb-24				
13	Failure to prevent data loss and privacy incidents (Information Governance) leading to financial/Data loss, disruption or damage to the reputation of the Council	26-Sep-14	Good	5	4	HIGH	3	3	MEDIUM	2	2	LOW	Asad Laher	Sarah Critchley	Open	06-Dec-23				
14	High profile serious/critical safeguarding incident/case that is known to Council services	20-Aug-13	Good	4	5	HIGH	3	5	HIGH	2	5	MEDIUM	Mark Warren (DASS) / Jo Siddle (DCS)	Katherine White/Emma Ford	Open	02-Jan-24				
15	Failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users and members of the public	01-Apr-20	Good	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Corinne McMillan	Jenna Russett-Knott / Helen Moran	Open	22-Dec-23				
17	Cyber Risk - Risk of financial/Data loss, disruption or damage to the reputation of an organisation from compromise of its IT systems.	15-Mar-16	Fair	5	5	HIGH	3	5	HIGH	3	3	MEDIUM	Corinne McMillan	Michael Ahern	Open	08-Dec-23				

				Inherent			Residual			Target							Previous Residual			
Risk No	Risk Description	Date Raised	Strength of Existing Controls	L	I	Risk Rating	L	I	Risk Rating	L	I	Risk Rating	Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	L	I	Risk Rating	Change in Score
18	Insufficient budget/capital receipts for service delivery if MTFS income targets from the Growth Programme are not met.	29-Nov-16	Good	4	5	HIGH	3	5	HIGH	3	4	MEDIUM	Martin Kelly	Simon Jones	Open	30-Oct-23	3	5	HIGH	-
22	Failure to recruit, adequately develop and retain an adequately experienced and appropriately qualified workforce may lead to the Council failing deliver its corporate plan priorities and to fully meet the needs of services users, the community and other stakeholders.	27-Jan-22	Fair	3	4	MEDIUM	2	3	LOW	2	2	LOW	Corinne McMillan/Mandy Singh/Jill Readfern	Mandy Singh/Jill Readfern	Open	08-Dec-23	2	3	LOW	-
24	Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough.	07-Apr-22	Good	5	5	HIGH	4	4	HIGH	3	3	MEDIUM	Martin Kelly	Gwen Kinloch	Open	02-Jan-24	4	4	HIGH	-
25	The impact that the cost of living crisis may have on local businesses and the residents and the implcations that this may have on Council staff, services and budgets.	05-Apr-22	Fair	5	5	HIGH	3	4	MEDIUM	2	3	LOW	Mark Warren	Andy Haythornthwaite, Andy Ormerod	Open	12-Dec-23	3	4	MEDIUM	-
26a	The Council's reputation will be affected and may be subject to special measures as a result of a failure of Adult Social Care to satisfactorily meet statutory or regulatory requirements.	17-Aug-22	Fair	5	4	HIGH	3	4	MEDIUM	2	4	MEDIUM	Mark Warren (DASS)	Katherine White	Open	02-Jan-24	3	4	MEDIUM	-
26b	The Council's reputation will be affected and it may be subject to special measures as a result of a failure of Children's Services and Education to satisfactorily meet statutory or regulatory requirements.	17-Aug-22	Good	5	5	HIGH	3	3	MEDIUM	3	3	MEDIUM	Jo Siddle (DCS)	Emma Ford Michelle Holt Imran Akuji	Open	31-Jan-24	3	3	MEDIUM	-
27	BwDBC response to the LGA (Inquiry core participant) with the necessary evidence in relation to the Covid-19 Public Inquiry. Encouraging preparedness for future asks by the LGA and also directly from the Covid-19 Public Inquiry.	02-Nov-22	Good	4	4	HIGH	2	2	LOW	2	2	LOW	Corinne McMillan	Mohsin Mulla	Open	18-Dec-23	2	2	LOW	-
29	The Council is unable to continue to deliver its services adequately and effectively due to a failure in the IT infrastructure	28-Feb-23	Fair	5	5	HIGH	4	4	HIGH	3	3	MEDIUM	Corinne McMillan	Michael Ahern	Open	22-Dec-23	4	4	HIGH	-
30	Failure to manage the demands of the Paediatric Occupational Social Care and Education Service in Children's Services could give rise to potential injury to a child or parent/carer. This could lead to reputational damage to the Council, safeguarding referrals or claims against the Council.	23-Jun-23	Fair	5	5	HIGH	3	3	MEDIUM	1	1	LOW	Jo Siddle	Suzanne Kinder	Open	31-Jan-24	3	3	MEDIUM	-
31	Failure to effectively plan for and be adequately prepared to respond to a future pandemic or emerging infectious disease	23-Jun-23	Fair	4	5	HIGH	3	4	MEDIUM	2	3	LOW	Abdul Razaq	Rabiya Gangreker	Open	28-Dec-23	3	4	MEDIUM	-
32	The approval of a Combined Authority for Lancashire would present an opportunity for more control and influence over the levers of local growth and have a positive impact for local residents and businesses of the borough. If the deal is not approved it could impact the Council's reputation and the delivery of its priorities.	17-Jan-24	Fair	4	3	MEDIUM	3	3	MEDIUM	2	2	LOW	Denise Park and Martin Kelly	Steven Oldham, Mohsin Mulla, Ben Greenwood	Open					-

The following corporate risks are currently closed:

Risk 3: IT Infrastructure (Resilience) – Old Town Hall.

Risk 6: Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget.

Risk 8: Failure to contribute effectively to economic growth within Blackburn with Darwen.

Risk 9: Failure to improve health outcomes within Blackburn with Darwen could result in the communities' health and wellbeing position or conditions deteriorating.

.Risk 12: The Council does not effectively capitalise on potential opportunities to improve housing quality or build more houses in the Borough to maximise the income available from the new homes bonus and increased council tax.

Risk 16: Failure to deliver a robust Medium Term Financial Strategy (MTFS) with adequate reserves to meet unforeseen circumstances and with the resource capacity to deliver statutory services.

Risk 19: EU Exit - Risk of inadequate planning/preparedness at a national & local level for a "no deal" exit from the EU arrangements.

Risk 20: The Council is unable to deliver its critical and core services and functions during the response and mitigation phase of a COVID-19 outbreak, due to high staff absences and a failure of effective business continuity management.

Risk 21: The Council is unable to recover its critical functions, core services and income generating functions during the transition and recovery phases of a COVID-19 outbreak, due to financial impacts, high staff absences and a failure of effective business continuity management.

Risk 23: Failure to have an inclusive public health Covid-19 recovery plan that focusses on those most impacted by the pandemic and plan effectively for COVID and influenza.

Risk 28: The risk associated with the on-going industrial unrest and associated strike action in the NHS and other key partners and sectors and the impact that this may have had on Council services

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**18 March 2024**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Governance Committee – Effectiveness Self - Assessment**

1. PURPOSE

1.1 This report summarizes the results of the annual assessment of compliance of the Audit & Governance Committee current arrangements against recognised best practise guidance for Audit Committees issued by CIPFA. The results of the assessments are set out in appendices 1, and 2 to this report.

2. RECOMMENDATIONS

2.1 Committee members are requested to consider if the results of the attached assessments are appropriate evidence to confirm the Committee's effectiveness and that is it is operating in accordance with best practice and consider if any actions are required to increase the effectiveness of this Committee:

- the Audit & Governance Committee's position when compared to the CIPFA good practice checklist (Appendix 1); and
- the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Head of Audit & Assurance on behalf of the Chair of the Committee (Appendix 2).

3. BACKGROUND

3.1 Audit committees in local authorities are necessary to satisfy the wider requirements for sound financial management, which are set out in the Local Government Act 1972 and the Accounts & Audit Regulations 2015. The Chief Financial Officer is responsible for discharging this sound financial management requirement.

3.2 In May 2022 CIPFA published its Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') document. It replaced the previous 2018 Position Statement and includes all principal local authorities in the UK. This sets out the functions, operations, roles and responsibilities of audit committees in local authorities and represents best practice. Subsequently, in October 2022 CIPFA published its updated guidance document 'Audit committees: practical guidance for local authorities and police' (2022 edition), to support the Position Statement.

3.3 The Position Statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and was prepared in consultation with sector representatives. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit. The results of the assessment of the current arrangements in place for the Audit & Governance Committee against the principles and practices set out in the new Statement are detailed in Appendix 1.

3.4 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It sets out the purpose, model, core functions and membership of an audit committee. The Statement defines the purpose of Audit Committees as follows:

- Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.
- The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3.5 The Position Statement notes that the core functions of an audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. Specific responsibilities identified include:

- Maintenance of governance, risk and control arrangements.
- Financial and governance reporting.
- Establishing appropriate and effective arrangements for audit and assurance.

3.6 It notes that organisations should adopt a model that establishes the committee as independent and effective. To support this the Statement advises that the Committee should:

- act as the principal non-executive, advisory function supporting those charged with governance;

- in local authorities, be independent of both the executive and the scrutiny functions and include at least two independent members, where not already required to do so by legislation, to provide appropriate technical expertise;
- have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups; and
- be directly accountable to the Authority's governing body (Full Council).

3.6 The Position Statement notes the role of the Chief Financial Officer and that Officer's overarching responsibility for discharging the requirement for sound financial management. The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) emphasises the importance of having an effective audit committee to support this role. In a local authority this officer must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Position Statement also notes that an essential role for the audit committee is to oversee Internal Audit, helping to ensure that it is adequate and effective. Both these elements are also set out in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN).

3.7 A key aspect of the guidance is evaluating and developing the Committee's effectiveness. The guidance states that "the committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Evidence of effectiveness will usually be characterised as influence, persuasion and support. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness."

4. RATIONALE

4.1 An audit committee is a key component of a Council's governance framework. An audit committee that fulfils its recommended role and function can effectively review the Council's corporate governance framework. The recommended guidance on the role and functions of an audit committee is provided by CIPFA.

5. KEY ISSUES AND RISKS

5.1 CIPFA's guidance sets out its view of audit committees in relation to governance, risk management and internal control. CIPFA's Good Practice Checklist for audit committees is appended to the Guidance. The Head of Audit & Assurance has completed this on behalf of the Committee. This shows that the Council's Audit & Governance Committee arrangements are largely compliant with the recommended guidance. The only areas where full compliance cannot be provided are:

- Question 6: The Committee membership Includes at least two co-opted independent members to provide appropriate technical expertise; and

- Question 19: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.

5.2 As part of the review of the Constitution in 2022 the Committee's membership was updated to include two non-voting co-opted independent members, appointed by the Committee. These roles will be subject to re-appointment by the Committee every two years. In September 2023 the Committee approved the appointment of the Vice Principal - Finance & Corporate Services of Blackburn College as one of the independent members. Steps are on-going to identify an appropriately experienced person to fill the other independent member vacancy.

5.3 It is noted that the Committee's Annual Report is presented to Full Council for consideration, along with the minutes from the previous year's meetings. This presents an opportunity to obtain feedback on the Committee's performance from Councillor colleagues at least annually.

5.4 The evaluation of effectiveness document (Appendix 2) has been completed by the Head of Audit & Assurance.

5.5 Across five areas the score was evaluated at 4 out of a possible 5, demonstrating: "clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area". For the remaining four areas evaluated, the assessed score was 5, demonstrating: "clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area.".

6. POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

The Accounts and Audit (England) Regulations 2015 state that the Council must ensure that it has a sound system of internal control that:

(i) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(ii) ensures that the financial and operational management of the authority is effective; and

(iii) includes effective arrangements for the management of risk. The Audit & Governance Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Council's overall governance arrangements.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

Audit & Governance Committee

Contact Officer:	Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date:	8 March 2024
Background Papers:	CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 Audit committees: practical guidance for local authorities and police (2022 edition)

Audit & Governance Committee Self-Assessment against CIPFA Position Statement in Local Authorities and Police 2022 Good Practice Checklist

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
Independent and effective model *The Audit Committee should*:					
1	Be directly accountable to full council.	√			
2	Be independent of both the executive and the scrutiny functions.	√			
3	Have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups.	√			
4	Have rights to request reports and seek assurances from relevant officers.	√			
5	Be of an appropriate size to operate as a cadre of experienced, trained committee members.	√			
6	Include at least two co-opted independent members to provide appropriate technical expertise.		√		The Committees membership includes 2 independent (non-voting) members appointed by the Committee along with the 6 members appoint by Full Council. One independent member was appointed in 2023. Enquiries are on-going to identify an appropriately experienced person to fill the other vacancy.
Core functions *Specific responsibilities include:*					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? • Maintenance of governance, risk and control arrangements. • Financial and governance reporting, • Establishing appropriate and effective arrangements for audit and assurance.	√			

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
Audit committee membership					
8	Members are trained to fulfil their role so that they are objective, have an inquiring and independent approach, and are knowledgeable.	√			
9	The membership promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.	√			
10	The chair is strong, independently minded, and displays a depth of knowledge, skills, and interest.	√			
11	The members demonstrate a willingness to operate in an apolitical manner.	√			
12	Members have unbiased attitudes – treating auditors, the executive and management fairly.	√			
13	The members are able to challenge the executive and senior managers when required.	√			
Engagement and outputs *To discharge its responsibilities effectively, the committee should:*					
14	Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.	√			
15	Be able to meet privately and separately with the external auditor and with the head of internal audit	√			
16	Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor.	√			
17	Have the right to call on any other officers of the authority as required.	√			
18	Support transparency, reporting regularly on its work to those charged with governance.		√		The Committee minutes are included as appendices to the Committee's Annual Report, which is presented to Full Council. Consider presenting these to full Council more regularly.
REF	**CIPFA RECOMMENDED AUDIT**	**YES**	**PARTIAL**	**NO**	**ACTION REQUIRED**

	COMMITTEE GOOD PRACTICE AND PRINCIPLES				
19	Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.	√			

CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES **APPENDIX 2**
Evaluating the Effectiveness of the Audit & Governance Committee

Assessment key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this

Blackburn with Darwen Borough Council Audit & Governance Committee Effectiveness Assessment

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	Supporting the development of a local code of corporate governance. Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	The Committee reviews the draft AGS prior to approving it and monitors progress of actions agreed by responsible officers to address the significant issues identified in the previous year's AGS. It also receives regular internal audit and risk management progress reports during the year. The Committee considers the Risk Management Annual Report and the annual opinions from Internal Audit (IA) and External Audit, which support the AGS. The Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of the Council's risk, governance and control frameworks. It receives a summary of key findings and opinions from individual IA reviews supporting the overall opinion. The Committee's terms of reference includes the review of the governance and assurance arrangements for	4

Areas where the audit committee can add value by supporting improvement	**Examples of how the audit committee can add value and provide evidence of effectiveness**	**Self-evaluation, examples, areas of strength and weakness**	**Overall assessment: 5 – 1 See key above**
		significant partnerships or collaborations. The internal audit plan includes periodic reviews of key partnership arrangements. The Committee also receives an annual report on the Council's Significant Partnerships Register.	
Contributing to the development of an effective control environment.	Actively monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Regular IA Progress Reports are presented to the Committee. These include the results of the follow-up of internal audit recommendations, performance indicators relating to the percentage of recommendations implemented and commentary re outstanding 'must' level recommendations. Senior officers attend the Committee meetings on request to update on the progress of actions from key reports as and provide explanations and updates on progress to address significant audit concerns. The Committee reviews the summary of Management Accountability Framework (MAF) red priority areas of concern which have been identified by Directors. The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements.	The Committee receives the annual risk management report, which includes key events and achievements for the previous year and key developments for the next 12 months. The corporate risk register summary identifies risk	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
	Holding risk owners to account for major/strategic risks.	owners at Director/senior officer level and tracks changes to residual risk scores. Regular reports are presented to Committee setting out the summary corporate risk register and risk management support activity that has taken place during the year. This includes the details of the risk management support provided by Zurich Municipal. The Committee identifies a corporate risk at three meetings a year to carry out a 'deep dive' review with the relevant risk owner or key contact as part of its work programme during the year.	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	There is regular reporting of planned and actual coverage by Internal and External Audit. The Committee challenges opportunities for reliance on IA work by External Auditors and receives Internal and External Audit and Risk Management progress reports. The IA report includes audits in progress and an in-year review of resources and achievement of plan.	4
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the internal audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement.	The Head of Audit & Assurance has right of access to, and regular briefings for, the Chair of the Audit & Governance Committee. The Committee receives and approves the IA Charter and annual strategic statement, including details of reporting and monitoring arrangements, supporting the IA annual plan. The External Auditors Audit Findings Report includes commentary on Internal Audit as part of their assessment of financial control arrangements.	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		The Committee reviews the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA performance and quality assurance. The Committee approved a Peer review approach for the external assessment of IA compliance with Public Service Internal Audit Standards (PSIAS) which was carried out during 2021. The overall judgement confirmed that the IA team conformed with the requirements of the PSIAS across all areas of focus.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing how the governance arrangements support the achievement of sustainable outcomes. Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Work on these areas is included in Internal and External Audit plans on a risk assessed basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work may be carried out during the year on request from Directors. Internal audit progress reports include a summary of MAF red priority areas of concern. Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure, which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as the Corporate Assurance Board and PAM reporting processes as well as Members through PDS, SPT and Executive Board reporting. Internal audit considers performance arrangements as part of any relevant audit and would report on them as	4

Areas where the audit committee can add value by supporting improvement	**Examples of how the audit committee can add value and provide evidence of effectiveness**	**Self-evaluation, examples, areas of strength and weakness**	**Overall assessment: 5 – 1 See key above**
		part of our progress reporting arrangements. The IA plan also considers specific Key Performance Indicator audits as part of the annual audit planning process.	
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Standing Financial Instruction 3 – Procurement and payment for Goods & Services, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors and Contracts audits consider on compliance with these requirements. The Committee receives the External Auditor's Audit Findings Report. This includes a section on value for money and an overall conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in Code of Practice on managing the Risk of Fraud (CIPFA 2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members.	A Counter Fraud Policy and Strategy is in place supported by the Counter Fraud Policy Framework which includes a Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. The Internal Audit progress reports include oversight of counter fraud activity and results. The Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance. The Committee receives the Counter Fraud Annual Report as part of the suite of annual reports which the	5

Areas where the audit committee can add value by supporting improvement	**Examples of how the audit committee can add value and provide evidence of effectiveness**	**Self-evaluation, examples, areas of strength and weakness**	**Overall assessment: 5 – 1 See key above**
		members consider prior to approval of the Annual Governance Statement.	
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. Publishing and annual report from the committee.	Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on the Council internet website. An Annual Audit Committee report is prepared and considered by full Council, along with minutes of the meetings. Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions.	4